



2022

SUSTAINABLE BANKING TRANSFORMING THE FUTURE

INTEGRATED ANNUAL REPORT

WE WILL
RECOVER
TOGETHER

Distinguished Stakeholders,

During our Integrated Annual Report 2022 preparations, we were painfully struck with the calamity of two Kahramanmaraş centered earthquakes on February 6, 2023. We wish for God's grace upon our citizens who have lost their lives, and hope for the immediate recovery of our wounded, in the 11 provinces and around.

We are deeply saddened; our grief is infinite...

In the wake of this blight that has pierced our heart, we are aware that the today is the high time to heal wounds, and to build an even stronger future.

Within the scope of the relief efforts that TSKB has carried out by mobilizing all its facilities together with our subsidiary companies, we have donated a total of TL 65 million to the Disaster and Emergency Management Presidency (AFAD) in addition to in-kind assistance for the urgent needs of the earthquake-affected regions to provide permanent support to the region.

As a development bank working with the mission of sustainability and inclusiveness, we believe in establishing a society impenetrable against natural disasters, which is the reality of our country, is one of our top priority targets. For this purpose, we have further increased our efforts to bring the medium- and long-term resources needed to put forward qualified and permanent solutions to our country, taking into account the sad earthquake disaster our country is experiencing.

We will continue to work with our stakeholders in cooperation with all our branches of activity for the fastest recovery of our earthquake-affected regions. We sincerely believe that all the institutions will act with similar responsibility in these difficult days we are going through and that we will all work together for long-term and effective solutions to rebuild a safer future.

TSKB

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Please scan the QR code to access the PDF copy of the TSKB Integrated Annual Report 2022.

www.tskb.com.tr



Data audited by
PwC Türkiye



Data audited by BSI

TOWARDS THE TARGETED FUTURE...



As the bank publishing the first responsible communication policy of Türkiye, we continue to expand our positive impact with our efficiency and sustainability goals in every field we operate, while celebrating the 100th anniversary of our Republic. And we continue to create value with a focus on sustainable and inclusive development of Türkiye.

With our sustainable banking model, we contribute in climate- and environment-friendly investments and inclusive economic growth, and we strive to differentiate with our approach in every area we touch.

We launched Transforming Steps, Türkiye's first energy-efficient sustainability communication campaign. The campaign focuses on energy efficiency in all its processes, from the color palette to the system fonts. We are proud of presenting Türkiye's first energy-efficient integrated annual report as a part of this project.

AN IMPORTANT STEP IN THE FIGHT AGAINST CLIMATE CHANGE AND THE TRANSITION INTO A CARBON-FREE ECONOMY

- With our membership in the **Net-Zero Banking Alliance**, we have committed to supporting the transition to a zero carbon economy in the international arena.
- We have been continuing the calculation and verification process of Scope 3 emissions, which we started with carbon-intensive sectors, since the end of 2021. We included **financed emissions** for companies operating in carbon-intensive sectors, which account for 8.4% of our portfolio as of the end of 2022.
- We have completed our application to the **Science Based Targets Initiative** for our Scope 1-2-3 emissions; our verification process is ongoing.



15% ✓

Share of projects we are involved in the financing of, in Türkiye's installed capacity of renewable energy.



100% ✓

In our use of green electric energy and direct emissions as a carbon-neutral bank.



13.2 million tons ✓

Our emission reduction contributions via renewable energy projects we are involved in financing.

STRONG STAKEHOLDER ENGAGEMENT

- We are in constant communication and reciprocal engagement with our stakeholders. Thus, taking the concept of **Double Materiality** into account, we have updated our stakeholder analysis and reviewed our strategic focuses in 2022.
- We are the first bank in Türkiye to announce its compliance with the **World Economic Forum Stakeholder Capitalism Metrics**.
- Within the scope of well-established stakeholder relations, we have signed a funding agreement of approximately USD 650 million.



80%

The environmental, social, and governance (ESG) linked funding ratio



12

Long-lasting relationships with Development Finance Institutions.

INTERNATIONALLY RECOGNISED SUSTAINABLE BANKING PRACTICES

- **Our ESG risk rating reached 7.9 points, which represents the lowest risk level.** Among the banks evaluated, with this rating, we ranked 1st in Türkiye, 12th among international development banks, and 15th in the global banking sector. With this score, **we became the only institution from Türkiye that managed to enter the List of 50 Institutions Achieving Top ESG Performance of the World** determined by Sustainalytics.
- We have raised our CDP Climate Change Programme score to the leadership level. Thus, **while ranking among the first 21% in the world, we have been among the top Turkish banks.**
- We have undersigned significant achievements that touch every part of the capital of our value creation model and are accepted on international platforms.



89/100

Our Refinitiv ESG Rating



9.59/10

Our SAHA Corporate Governance Rating



SUSTAINABLE GROWTH FOR THE FUTURE CENTURIES OF OUR REPUBLIC

- We bolstered our **strong liquidity** with total funding worth of approximately USD 750 million that we provided in 2022.
- We have positioned ourselves among the banks with the highest coverage ratios in the sector, not only by maintaining our **intact asset quality** but also by strengthening our provisions.
- We have strengthened our capital further thanks to our **internal capital generation capacity**.
- We maintain our **sustainable strong profitability** as a result of our successful activities in 3 main business lines.



TL 115.6 billion
Total assets



22.4%
Capital adequacy ratio



41.1%
Return on equity ratio



TSKB AT A GLANCE

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About the Report

Nature, Period and Scope of the Report

We present TSKB's financial, environmental, social, and governance performance for 2022 with the Integrated Annual Report, which includes the Board of Directors Activity Report covering the period from January 1 to December 31, 2022. Our Bank does not have any activities abroad and the report covers the activities carried out in Türkiye.

Capital Classification Approach

In this report we classify, analyze and report to our stakeholders the current outputs and outcomes of our value creation model, risk and opportunity management, strategy and goals for the future on the basis of capital and integrated thinking principles proposed by the Value Reporting Foundation (VRF).

Content of the Report

Our multifaceted contribution to inclusive and sustainable development has been considered in its financial, social and environmental aspects and presented in detail throughout the different parts of the report. The report also includes the United Nations Responsible Banking Principles Report, of which our Bank is a founding signatory.

Compliance with Legislation and Regulatory Frameworks

This report has been prepared in accordance with the International Integrated Reporting Framework and Integrated Thinking Principles recommended by the VRF as well as the GRI Standards published by the Global Reporting Initiative (GRI). The content of the report was compiled according to the methods of setting the content, including the materiality principle, described in the GRI Standards guide. Performance statements were basically presented in accordance with the GRI Standards, taking into account the progress reporting principles of the United Nations Global Compact (UNGC), of which we made a commitment in 2010, and the requirements of the Women's Empowerment Principles (WEPs), of which we are a signatory. The reporting process also took into account the recommendations of the Sustainability Accounting Standards Board (SASB), the Stakeholder Capitalism Metrics established by the International Business Council within the World Economic Forum (WEF), and the Task Force on Climate-related Financial Disclosures (TCFD). TSKB complies with the minimum requirements of the BRSA and the Capital Markets Law (CMB) regarding annual reports within its Integrated Annual Report 2022.

Publication Format of the Report

It is a priority target for our Bank that the integrated annual report is accessible to all stakeholders. Accordingly, the report was produced with an eco-friendly approach and communicated electronically. The report is available on the Public Disclosure Platform and www.tskb.com.tr.

Audit

Our Bank's Integrated Annual Report 2022 and the independent audit reports attached in the Annual Report are audited by Güney Bağımsız Denetim and SMMM A.Ş. (EY). In addition, non-financial information was also subject to a limited assurance review by PwC Bağımsız Denetim ve SMMM A.Ş. (PwC Türkiye). Moreover, our Bank is also audited by the British Standards Institution (BSI) in compliance with ISO 14001 for the Sustainability Management System and ISO 14064-1 for the accounting and verification of greenhouse gas emissions derived from our operational activities.

Senior Management Statement

Financial and non-financial information, targets and key performance indicators included in the Integrated Annual Report are reviewed by our senior management in line with the Bank's strategy. The corresponding Statement of Responsibility is presented on page 187.

SUSTAINABLE BANKING

TRANSFORMING THE FUTURE

ENERGY EFFICIENT INTEGRATED ANNUAL REPORT

All TSKB Integrated Annual Report materials were designed to provide energy savings.
As a result, the objective is to achieve energy savings of at least 30%.

TYPOGRAPHY

Fonts used are the system fonts found in any computer, therefore it is convenient enough for access. The fonts we chose from those available in the system enable the monitor to spend less energy in the digital environment and use less ink on the printed surfaces.

COLORS

The colors we preferred usually belong to the RGB scale. Besides, the white balance was optimized. This color palette features minimum energy spending during both the printing process and the use of the screen.

PRINTING

The report will be predominantly shared in the digital environment. The natural effect will be minimized by using environmentally friendly paper for printing. On the other hand, as part of the operational activities maintained by TSKB as carbon neutral, the emission of this report's printed version will also be neutralized in 2023.

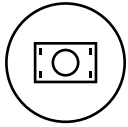


30% energy saving



Corporate Profile

TSKB in Figures



TL 115.6 billion
Total assets



TL 12.8 billion
Total shareholders' equity



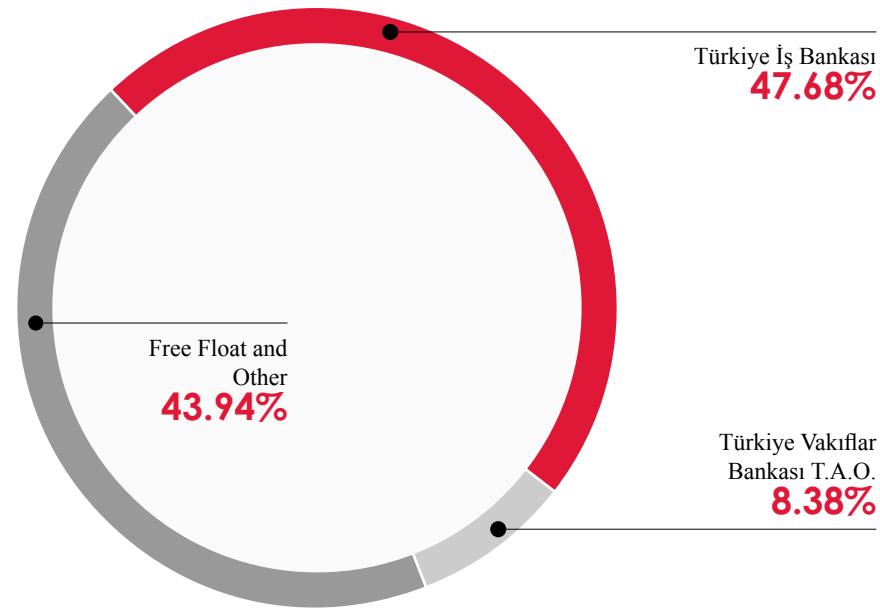
597
Total employees
(TSKB and subsidiaries)

GRI 2-1, 2-2, 2-6

TSKB's Shareholding Structure

TSKB stock is traded on BIST Stars under the ticker name "TSKB" with a free float ratio of 38.8%. TSKB's registered capital ceiling is TL 7,500,000,000 whereas its paid-in capital is TL 2,800,000,000 as of 2022 year-end.

The shares held by the Chairman and Members of the Board of Directors, Audit Committee Members, CEO, and Executive Vice Presidents in the Bank are insignificant.



*The total share of İşbank Group (Türkiye İş Bankası, Milli Reasürans and Anadolu Sigorta) is 50.48%.

TSKB's Subsidiaries

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

Ratings

Ratings*	TSKB	Türkiye
Fitch Long Term Senior Unsecured Debt	B-	B
Moody's Long Term Foreign Currency Issuer Rating	B3	B3
SAHA Corporate Management Rating	9,59/10	
Sustainalytics ESG Risk Score	7.9	
Refinitiv ESG Score	A	

* Details regarding credit ratings are included in the audit reports.

Contributing to the sustainable transformation of the manufacturing economy in Türkiye

Founded in Istanbul in 1950 as Türkiye's first private development and investment bank, with the support of the World Bank and the Central Bank of the Republic of Türkiye, and the contributions of national and international commercial banks, TSKB contributes to the sustainable growth, development, and green transformation of the Turkish manufacturing economy. With our 72 years of knowledge and competence, we offer products and services to our customers in the corporate banking, investment banking, and advisory fields.

We provide financing for the transformation of the private sector with thematic funds we receive from international financial institutions

As we are a development and investment bank, we do not collect deposits and offer retail banking services. We work with a sustainable development perspective in the field of corporate banking pursuing science-based targets, and we introduce thematic funds from international development finance institutions and international financial institutions to the private sector investors in Türkiye. We also issue debt instruments in foreign capital markets to create additional resources for our country's sustainable and inclusive development investments.

Standing out with the positive impact we create via our financing activities

We provide structured long-term financing support to sustainable investment projects with our wide range of loan options, including corporate loans and project financing. Under APEX banking, we are expanding our sphere of influence more and more by offering loans to SMEs and exporting companies through financial leasing and factoring companies, commercial banks, and participation banks.

We work closely and establish long term cooperation with all industries that create sustainable added value for the Turkish economy. We distinguish ourselves in the Turkish banking industry with our impact-oriented development approach, industry-specific expertise and multidimensional insight.

As a signatory of the Net-Zero Banking Alliance, we are adding new ones to our commitments

Implementing many first and pioneering practices in the Turkish financial sector towards Türkiye's transition to a low carbon economy, our bank has been measuring and managing its carbon footprint since 2006. With our banking approach prioritizing climate risks and opportunities, as a signatory of the Net-Zero Banking Alliance established by the United Nations Environment Program Finance Initiative, we have added a new one to our commitments in the global arena.

In line with the 1.5°C target of the Paris Climate Agreement, we will align our loan and investment portfolio with net-zero emission targets by 2050. We will continue to guide our sector by following the principles of transparency and accountability, and science-based guidelines in our sustainable banking journey and setting our targets before 2030 in accordance with the Net-Zero Banking framework.

With all our capital items, we make a tangible contribution to the UN Sustainable Development Goals. 91% of our loan portfolio consists of SDG related investments. The share of our loans contributing to climate and environment-related SDGs is hovering at 60%. We consider measuring the environmental and social risks of all investment and working capital loans, regardless of the amount, as an integral part of our responsible banking approach.

Awarded the Climate Change Leadership award by CDP Türkiye in 2013 and 2015 within the scope of the Carbon Disclosure Project (CDP), our bank has raised its "B" rating, which it has maintained since 2016, to the "A-" level by making significant progress in its carbon emission targets.

We are taking important steps in sustainable and green transformation-focused banking

TSKB introduced various innovative practices to the Turkish financial sector in the fields of sustainability and inclusiveness. We integrated sustainability approaches that have been accepted globally at the beginning of the 2000s into our entire banking model. TSKB is the first bank in Türkiye to obtain ISO 14001 and ISO 14064 certificates and to zero its direct emissions. Since 2021, we have included the impact of the carbon-intensive sectors in our portfolio, in other words, our financed emissions, into the calculation and verification processes in an end-to-end transparent manner.

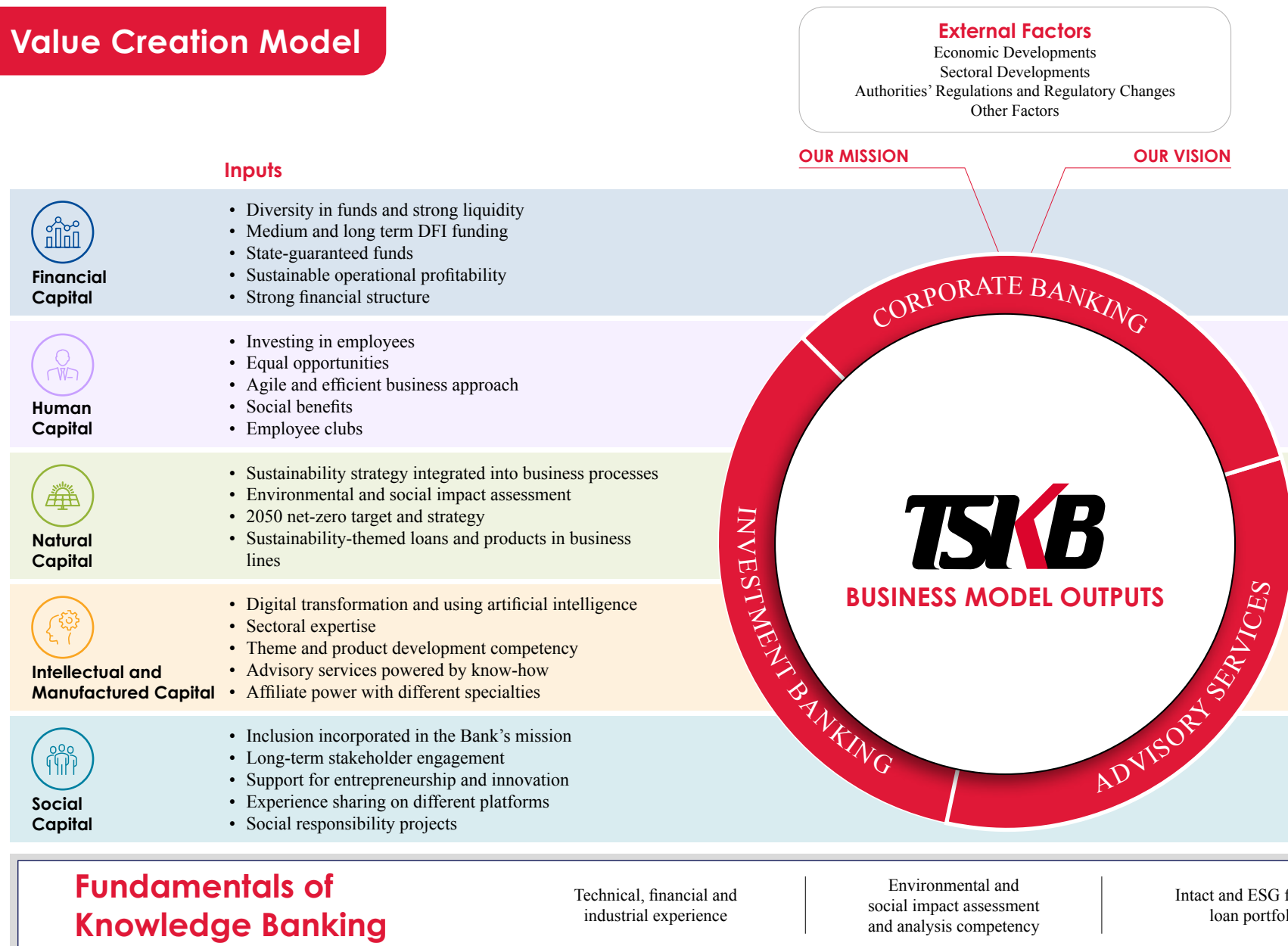
Following the first green/sustainable bond issuances of our country and the region, we continue to create alternative resources for our customers by offering sustainability oriented instruments in the Turkish capital markets. We contribute effectively to the green transformation of companies with our SDG-linked loan models and our advisory services.

With our advisory activities, we determine the medium and long-term investment needs, targets and roadmaps of companies within the scope of sustainability principles.

Introducing a sustainability approach to the advisory and investment banking

As Türkiye's first investment bank, we continue our efforts with the goal of making high quality contributions to the development of capital markets. We guide companies on their growth journeys with services such as public offerings, brokerage for debt instrument issues, and merger/acquisition advisory. In parallel with the increasing interest in sustainability-oriented investments and funds all over the world, we diversify our investment banking products and expand our sphere of influence with our sustainability, SDG and low carbon economy-themed issuances in Turkish capital markets.

Value Creation Model



Value Created and Impact

- Loan portfolio with 78% APEX and investment loans
- 6.9% net interest margin
- 41.1% return on equity
- 22.4% capital adequacy ratio

- Ratio of female employees in the management; 49% ✓
- 18% female member ratio in the Board of Directors ✓
- 0.008 gender pay gap ✓
- Average annual training hours per employee is 51.3 ✓

- Best ESG risk rating in Türkiye
- 13.2 million tons of CO₂ emission reduction contribution made by renewable energy projects we are involved in financing. ✓
- 100% green electricity energy use and carbon neutral bank ✓
- The share of climate and environment-focused SDG-linked loans in the total portfolio; 60% ✓

- TSKB Advisory Services Net Promoter Score; 9.52/10
- Number of TSKB Economic Research reports; 466 ✓
- On Climate Review reports published quarterly in 4 different themes ✓
- Sustainable financing products in Investment Banking

- Ongoing support for women's employment
- Scholarship support for 180 female students to date
- Raising awareness on equal opportunities with Equal Steps
- TSKB Sustainable Communication Policy

Support for Sustainable and Inclusive Development

91%

Ratio of SDG-linked loans in total portfolio ✓

52%

Female employee ratio ✓

8.4%

The ratio of the loan portfolio included in the Scope 3 calculation and verification processes ✓

9.48 FTE

Provided through 28 Robotic Process Automation

27.9%

Improvement in company capacity for gender equality ✓

Strategic and agile management approach

High-calibre human resources and expertise

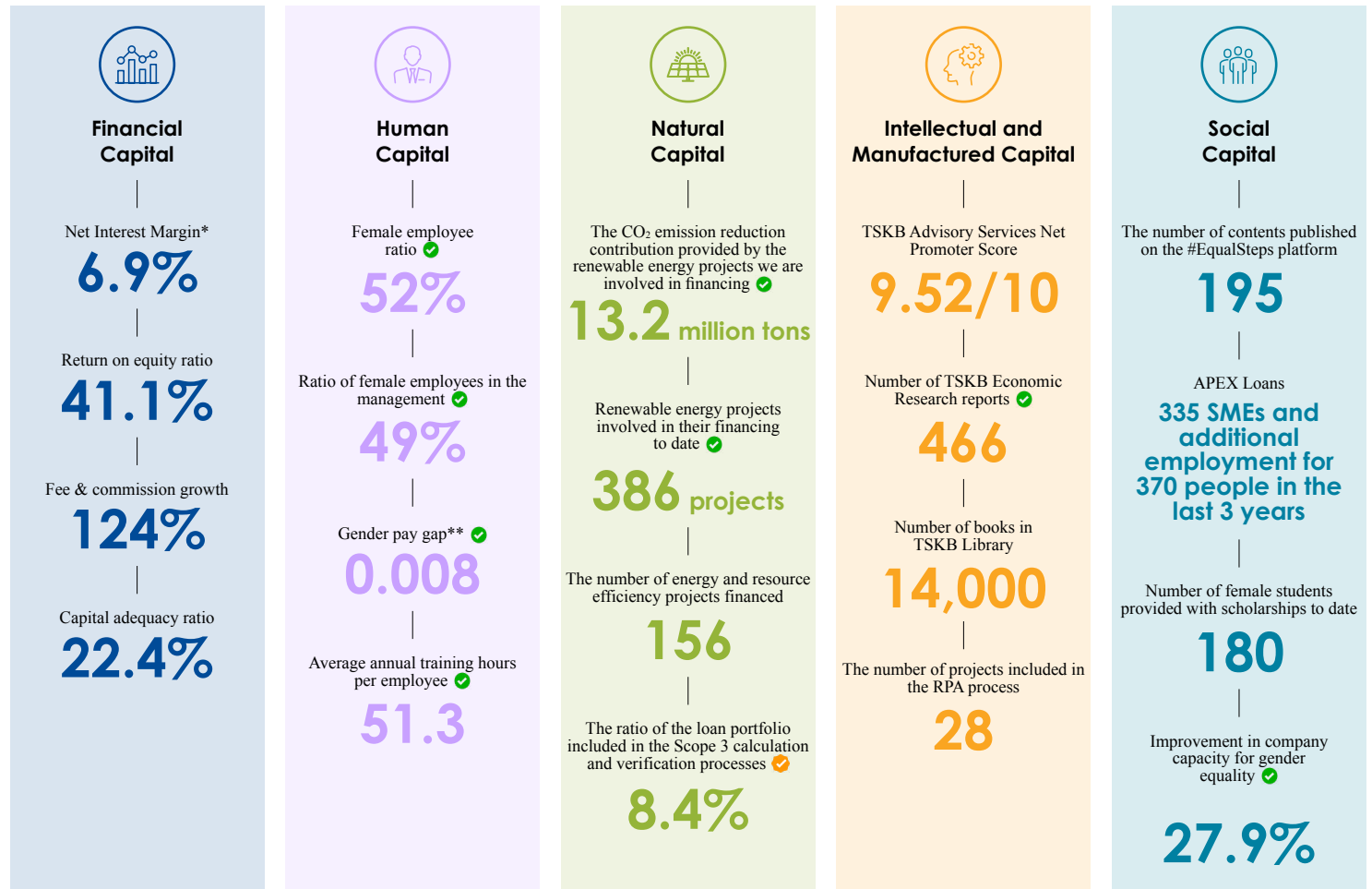
Efficient and effective use of resources

Effective risk management

Power to create common value with subsidiaries

Key Financial and Non-Financial Indicators

At TSKB, we categorize the impact and value it generates to its stakeholders under 6 capitals from an integrated thinking perspective.



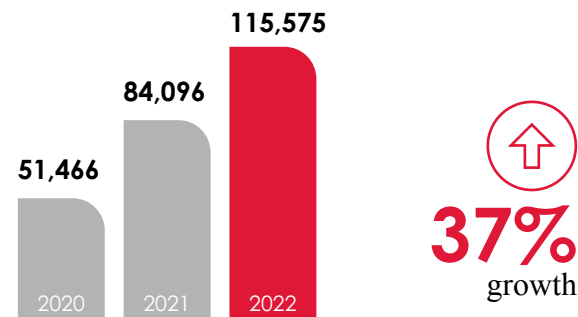
* Swap costs and FX position income included

** Calculations are based on the median values.

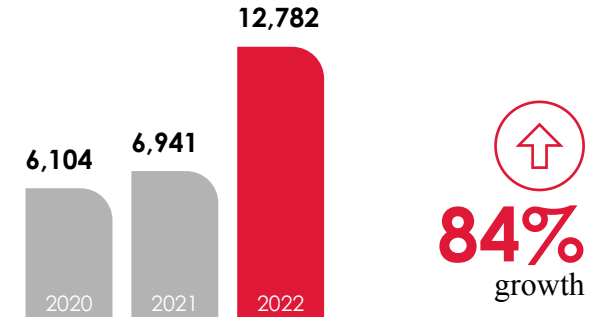
TSKB DELIVERED STRONG FINANCIAL RESULTS IN 2022.

Financial Highlights (TL Million)	2018	2019	2020	2021	2022
Total Assets	38,298	41,500	51,466	84,096	115,575
Total Loans	28,226	31,415	39,120	63,905	80,274
Shareholders' Equity	4,719	5,167	6,104	6,941	12,782
Net Profit	661	776	733	1,089	4,055
(%)	2018	2019	2020	2021	2022
Return on Equity	17.2	16.6	13	16.7	41.1
Return on Assets	2	2	1.6	1.6	4.1
Capital adequacy ratio	16.2	17.8	19.4	20.8	22.4

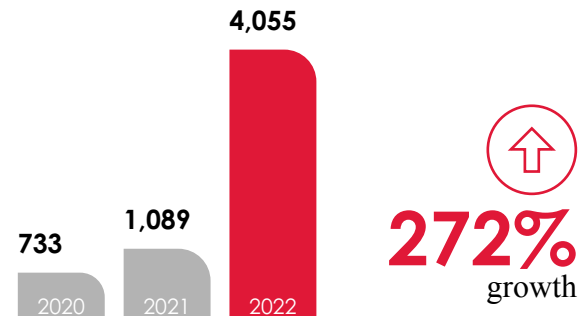
Total Assets (TL million)



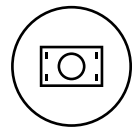
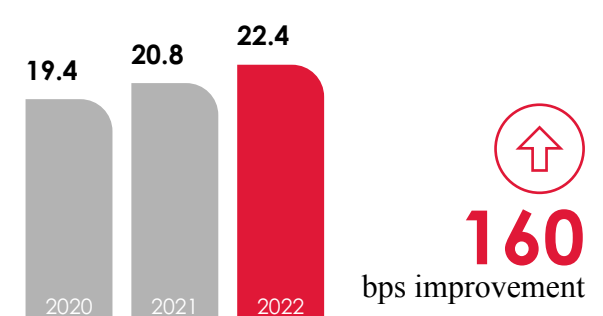
Shareholders' Equity (TL Million)



Net Profit (TL Million)



Capital Adequacy Ratio (%)



TL 115.6 billion
Total assets

Message from the Chairperson



WE HOPE THAT THE GOOD PRACTICES TSKB HAS PUT FORWARD IN THE AREAS OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE WILL SHED LIGHT ON THE WAY FOR BOTH OUR INDUSTRY AND THE REAL SECTOR COMPANIES.

Esteemed Stakeholders,

While commencing the year 2023, which marks the 100th anniversary of our Republic, with great excitement, we were deeply shaken by the earthquake disasters that unfortunately affected our 11 provinces. Our losses are immense, and it is impossible to bring those who lost their lives back, but it is possible to heal the wounds and build up those who were destroyed in a stronger way. We all believe that we will overcome this difficult period with great solidarity and cooperation by working hard.

While starting my assessments about our integrated annual report on TSKB's 2022 results with these feelings, I wish God's grace upon the citizens who lost their lives and rapid recovery to the injured citizens as well as well-being and strength to whole country.

In 2022, when we faced the economic decisions taken during the fight against the COVID-19 pandemic and the challenging and inflationary repercussions of this process for global supply chains, we also felt the effects of geopolitical developments intensely. The war between Russia and Ukraine and the sanctions imposed on Russia, as well as the rise in energy and food prices, have created inflationary pressure, while the increasing uncertainties combined with the ongoing epidemic measures and the increasing number of incidents in China have triggered recession concerns in the world.

In this context, we have observed that the economies of developed countries have entered a tightening process in their monetary policies. The US Central Bank (Fed) increased the monetary policy rate seven times, bringing it to 4.25–4.50% at the end of the year, while the

European Central Bank (ECB) ended its negative interest rate policy that it had been maintaining for eight years. With the interest rate hikes, the ECB increased the deposit interest rate to 2% at the end of the year. In light of all these developments, the expectation that there will be a slowdown in economic activity in 2023 compared to last year prevails. For example, according to the forecasts of the International Monetary Fund (IMF), following 3.2% of estimated growth rate in 2022, growth rate is expected to decline to 2.7% in 2023.

However, we have witnessed that the Turkish economy exceeded expectations and achieved 6.2% growth in the first nine-month period. Having kept the monetary policy interest rate constant in the first seven months of the year, the Central Bank of the Republic of Türkiye (CBRT), making interest cuts for the rest of the year, decreased the weekly repo interest rate to 9% at the end of 2022. It continues its macroprudential policies, which have significant repercussions on the banking sector, within the scope of the Liraization strategy. Although the leading data in the last quarter indicate a slight slowdown due to the external demand effect, we anticipate that we will end the year with a growth of 5.2%.

In line with the policies implemented by the CBRT, the banking sector completed the year with a loan growth of 40.6% on a foreign currency (FX)-adjusted basis. The sector, which maintains its asset quality with its non-performing loan ratio of 2.1% as of the end of the year, has further strengthened its FX liquidity buffers with the effect of the contraction in FX-denominated loans. In 2022, the capital adequacy ratio of the sector, which was supported by 41.6% of strong return on equity, was realized at the level of 19.5%, taking into account the temporary measures of the BRSA.

We anticipate that a period of uncertainty will continue not only in the areas covered by global macroeconomics and production processes but also in terms of diplomatic processes. In this period, when recession concerns are also surging, I am in the view that it is very critical for institutions to maintain their financial stability and that the decisions to be taken in this direction will shape the future. I believe that green and inclusive transformation has a guiding role that institutions need in this critical process. After the last disaster that we experienced, the establishment of sustainable living and production models that are resistant to natural disasters, as well as the healing of earthquake wounds, will continue to be one of our main agenda items for a long time.

Despite global uncertainties, important steps have been taken in our country and around the world in the field of combating climate change and sustainability in 2022.

One of these important steps taken last year was the EU Council's announcement that the parties had reached a consensus on the Carbon Border Adjustment Mechanism (CBAM), which has been a topic of discussion between the member states and the negotiators of the European Parliament for many years. The gradual implementations that will follow this consensus, which is a big step for the EU's goal of becoming a carbon-neutral continent in 2050, are also of close interest to Türkiye, which has intensive trade relations with EU. We think that the low carbon footprint of our country compared to other countries and the acceleration of renewable energy and sustainability practices every day will give Türkiye an advantage in competition. TSKB follows the developments very closely and continues to support the changes, transformations, and requirements in Türkiye, both with our sustainability-themed finance products and with our investment banking as well as our advisory services.

On the other hand, we are proud to see the important reflections of the good practices that we have implemented on international platforms. While our bank was awarded the best bank in the field of sustainable development of Türkiye at the Global Banking and Finance Awards 2022, it was named the "Most Sustainable Bank of Türkiye" for the second time in a row within the scope of the banking awards organized by World Finance magazine. Another global award organization where the efforts and visions of my colleagues were rewarded was "Türkiye's Best Sustainability Practices in Banking" given by Global Economics magazine. Our reports, which are transparent and comply with international reporting standards, also took place among the examples of good practice in the international arena. Our 2021 Integrated Annual Report, which we published in 2022, won the "Honorary Award" at the ARC Awards of International Reporting Awards, while the score of our Carbon Disclosure Project (CDP) Response was moved to the "A" level, which represents the leadership level, by the CDP, and we were proud of being among the first 21% in the world and ranking among the top Turkish banks.

As you know, in the context of sustainability, one should have already accomplished and left behind the steps of determining a circular approach, and setting its stance on ESG impact issues. Today, if we want to make a meaningful difference for the future, we need to ensure our actions gain momentum as soon as possible to leave them in much better conditions than we have, going beyond guaranteeing the life rights of the generations after us. Unfortunately, the disasters we have experienced recently have underlined this necessity again.

The business world, which is the biggest front of the transformation, is one of the most important parties that are expected to take substantive steps. In this new period, when we need to accelerate our steps for a bright future, we hope that the good practices TSKB has put forward in the areas of ESG will shed light on the way for both our industry and the real sector institutions.

Nowadays, when almost every concept is redefined and there is a transformation and awareness in all areas of life, not only in technology, it is not sufficient to desire to adapt to the transformation but necessary to have the determination and motivation to realize this desire.

In addition to adapting to the transformation, we know that TSKB will use all the opportunities to the fullest extent in order for our country and our people to look at the future more strongly and confidently in the next hundred years of our Republic. We also invite our stakeholders to take more responsibility for this objective and establish effective cooperation to this end.

We wish that 2023 will be a hopeful year for our country, our stakeholders, and the TSKB family.

Sincerely,



ADNAN BALI
Chairperson of the Board of Directors

Message from the CEO



**WE CONTINUE TO CREATE
ADDED VALUE FOR THE
GREEN TRANSFORMATION
OF THE REAL SECTOR WITH
OUR SUSTAINABLE AND
INCLUSIVE BANKING VISION.**

In the shadow of the highly severe earthquakes affecting 10 provinces in our country, we have come together to evaluate TSKB's 2022 year performance and future targets. Would you like to share your feelings and thoughts about the earthquake before we start?

We are deeply saddened because of the earthquakes. We wish God's grace to our citizens who lost their lives, condolences and patience to their relatives, and fastest recovery to the injured.

Unfortunately, our country has faced highly severe earthquakes for centuries, and according to scientific data, it will inevitably continue to face them due to its location. Today, the first task of our authorities and organizations is to restructure our provinces affected by the earthquake in a stronger way, heal the wounds of our people, and ensure that they get back to their normal lives as soon as possible. As a development bank working with a sustainability mission, we think that we need systematic steps and effective cooperation for an infrastructure that is resistant to such large-scale and highly severe natural events, urbanization, disaster management, production, and economic order. Just as a successful realization of the green economic transformation is an important target that will successfully integrate us into the global world, establishing a life resistant to earthquakes and natural disasters, which is the reality of our country, should be one of our most important priorities. Although we have passed another big test on the 100th anniversary of our Republic, we also see this as an opportunity to raise our second hundred years on much more solid foundations. TSKB has mobilized all its resources to provide permanent solutions in this respect.

We wish fastest recovery to our whole country, especially the people of the region.

You have drawn crucial assessments by asserting permanent and sustainable solutions. Now, we would appreciate receiving your opinions specific to the year, which is the subject of the report. 2022 was expected to be a period of recovery after the global pandemic. However, the uncertainties surged by the Russia-Ukraine hot war and the subsequent economic recession have significantly affected corporate strategies as well. How would you define the year 2022 of TSKB?

While we were thinking that we would get out of the COVID-19 pandemic and return to our old normal, the Russia-Ukraine War that started in Europe, the embargoes imposed by the West on Russia, the strong rise in energy prices, and the monetary policies that tightened with the deepening inflation problem around the world changed all the balances in the world.

While growth is slowing down globally, we have seen inflationary pressures along with the risk of recession. We have experienced a year in which China's role in the global economy has begun to change. The West considers this country as a serious competitor, and mounting economic protectionism weighed on the year.

In addition, all these developments—climate change, income, gender inequality, as well as political movements— which have marked the year 2022 will persist to be environmental and social issues we will take into account in the coming period.

TSKB is a bank that operates with the mission of sustainable development and inclusiveness. We closely follow all the dynamics on a global scale, and we are moving forward with the goal of making a qualified contribution to the development goals of our country irrespective of any backdrop. In 2022, we provided nearly USD 2 billion in support of the economy via cash and non-cash loans. Thanks to our knowledge and our expert technical staff, we have continued to implement successful projects in the investment banking and advisory business lines. In the coming period, we will continue to create value together with all our stakeholders in the development and transformation journey of our country in line with our mission and impact-oriented approach by analyzing risks and opportunities well in the face of difficult and uncertain conditions.

In the current stakeholder and materiality analysis, sustainable financial performance is among the issues with a very high strategic priority. In this context, how would you evaluate TSKB's performance compared to last year? What are your forward looking expectations for 2023?

We have completed 2022 with a strong performance in line with our goals. While the total asset size of our bank reached TL 115.6 billion, our total loan portfolio, which indicates our direct contribution to the real economy, also reached TL 80.3 billion, constituting 69% of our total assets. While maintaining our asset quality, our shareholders' equity surged by 84% to reach TL 12.8 billion and we have posted a net profit of TL 4 billion with 272% increase. We supported our capital adequacy ratios, which are well above the legal limits, with our solid profitability. Also, we positioned ourselves among the banks with the highest coverage ratios across the sector by lifting our provision ratios on the back of our cautious approach.

We aim to expand our loan portfolio by 5% on a fx-adjusted basis in 2023. We will realize this growth mainly in the areas of climate finance as well as inclusion. We will continue to keep our asset quality strong and strengthen our capital in a way that will further support development.

While expanding our coverage and scope of influence with our knowledge banking approach, which we observe in our investment banking and advisory business lines, we aim to double our gross fee and commission revenues. Via our subsidiaries, which contribute to our revenues with their successful performances, we will continue to offer innovative solutions that will guide our customers within the framework of sustainability principles.

Your value creation model enables continuous capacity development and information sharing with international financial institutions and development finance institutions. In line with Türkiye's needs, many themes are determined thanks to close cooperation. Could you share the sources of funding provided this year with us?

As usual, we have closely followed COP 27 and its reflections, where climate risks and actions were discussed. Türkiye, which ratified the Paris Agreement in the Turkish Grand National Assembly, announced the updated National Contribution Statement to the public at the same event. The importance that Türkiye attaches to green transformation in all sectors in all areas of the economy within the framework of its development priorities was also included in the Medium-Term Program announced in the same year. Thus, we have observed the transformation of issues such as climate finance and circular economy into important agenda items both in the world and in Türkiye.

While monitoring global development focuses, we also closely analyze the development needs of our country and work on new themes that are compatible with the strategies of development finance institutions. In line with our efforts, the previous year has been a very active and fruitful period for us. In 2022, we provided nearly USD 650 million in funding from five different development finance institutions. A major part of this funding was climate finance-themed. While inclusiveness takes its place in our mainstream themes, we have added the circular economy, which we think will become even more widespread in the medium and long term, into our financing themes.

We renewed the syndicated loan, which we have provided indexed to sustainability criteria in recent years, for the third time with even more differentiated criteria. The loan, which is subject to three different sustainability criteria compatible with our strategy, was realized in the amount of approximately USD 110 million with the participation of eight banks from eight different countries from Europe, America, Asia, and the Middle East.

In addition to the theme of gender equality, we will finance renewable energy and energy efficiency investments aimed at reducing greenhouse gas emissions throughout Türkiye, advanced technology-supported projects in this field, technologies and services supporting the green economy, climate change mitigation and adaptation investments, and circular economy investments and the companies aiming to develop circular economy practices with these funding agreements, through which we have further strengthened our strong liquidity, in the next period.

Message from the CEO

THE SUSTAINABLE DEVELOPMENT GOALS ARE AT THE CENTER OF ALL OUR ACTIVITIES. THE RATIO OF OUR SDG-LINKED LOANS IN THE TOTAL PORTFOLIO IS 91%.

TSKB is further improving its ESG rating, which is shown as an important reference for investors who include ESG criteria in their investment decisions, every year. You completed the 2022 update in November with sustainable practices that extend to all components of the business model. What is your ranking in the international arena with your current rating?

We continued to improve our Sustainalytics' ESG risk rating in 2022 as well. As a result of a meticulous study, while we stood out among banks on a global scale with a risk rating of 13.6 in 2021, we improved our rating further by nearly 6 points in 2022 to reach the lowest risk level with 7.9. By decoupling positively from the other institutions on the list of dimensions such as ESG-oriented strategy, environmental and social risk management, human capital, and business ethics, we ranked first in Türkiye with our risk rating, 12th among international development banks, and 15th in the global banking sector. This has really been a source of great pride for all of us. We will continue to maintain this leading position with good practices.

The concept of double materiality defines each sector representative as a corporate citizen responsible for our planet. In addition, it emphasizes that institutions should include environmental and social issues as well as financial ones in decision-making mechanisms and materiality analyses. As TSKB, you are operating in this direction in accordance with changing conditions and needs with your dynamic business model. In this context, can you tell us about the important developments in 2022?

TSKB continues to support the economic, environmental, and social development of our country with our sustainable and inclusive banking vision and creates added value for the green transformation of the real sector. In addition to financing sustainability-themed investments, we use our knowledge, experience, and vision to offer innovative and alternative solutions to our customers with our investment banking and advisory services. In this context, fighting climate change and climate adaptation are among our most important strategic focus areas.

In the previous year, we have achieved many important developments that demonstrate our commitment to sustainability. We have continued our studies on measuring and reporting the emissions of our loans in carbon-intensive sectors, which we have included in our audited emission calculations in 2021. As of the end of 2022, emissions included in Scope 3 calculation constituted 8.4% of our total portfolio. During the same period, we applied to the Science-Based Targets Initiative for our emission targets. While the relevant approval process is ongoing, we have become a signatory of the Net-Zero Banking Alliance launched by the United

Nations Environment Programme Finance Initiative (UNEP-FI). With this signature, we have committed to aligning the loan and investment portfolio with the zero-emission targets by 2050. In the next period, we will transparently share our road map and goals that we will determine within the scope of our commitment and our performance in this regard with our stakeholders.

Our sustainability vision not only supports the transformation of our country and the business world. We also aim to take part in this transformation as an institution. Double materiality emerges at this point. Each of our colleagues also keeps the ESG approach on the agenda in a way that is integrated with their daily responsibilities. We have been offsetting our emissions arising from our bank operations since 2008, and we use green energy on all our campuses. SDGs are at the center of all our activities. The ratio of our SDG-related loans in the total portfolio is 91%, whereas the share of our loans contributing to climate and environment-related SDGs is hovering around 60%.

While increasing its importance every day, sustainability brings along the problem of “Green Washing” as well. We see that many advisory decisions and regulations have started to be introduced against this problem in Europe and in our country. By taking an exemplary step in this field, you have become the first institution in Türkiye to publish the Responsible Sustainability Communication Policy. What do you aim for with this policy?

We pay attention to the communication of the pioneering practices we have implemented with our stakeholders within the scope of our sustainable and inclusive banking mission for the dissemination of good examples.

TSKB has been carrying out all its communication activities with an integrated perspective for many years, taking into account the ten principles of the UN Global Compact and the UNEP-FI Principles of Responsible Banking with the aim of making the economic, environmental, and sociocultural development of our country qualified and continuous. We are reporting to our stakeholders with the principles of transparency and accountability in international standards, and we are conducting detailed audits of our main performance indicators related to our targets. We support impact-oriented spokespersonship, advocacy, and cooperation opportunities in the direction of a sustainable future, and we also take care of our environmental and social footprint in our communication activities. We have also prepared our Responsible Sustainability Communication Policy to be a guide for all sectors, and we hope to inspire all professionals as well as green-collar employees with this study.

2023 is the 100th Anniversary of the Republic of Türkiye. As the leader of an institution working for the sustainable future of our country, what is your message for this special year?

As a 73-year-old institution working with a sustainable and inclusive development mission, I find it important to evaluate 2023 from the perspective of steps that will carry our country into the future. While planning the second century of our Republic, I believe that all institutions should take responsibility for our common future, both in a national and global context. Unfortunately, the recent earthquakes have left their mark on this year. The most urgent and material issue that we need to bring to a solution will be the re-establishment of our destroyed cities and the integration of our people into life in a healthy way.

On the other hand, with the climate crisis risks starting to become a reality, we have entered an era where we need to make radical changes in our current production and consumption habits. This means qualified impact-oriented investments with a transforming perspective. For our country to become a successful actor in the global economy, we have to achieve net zero carbon targets and development with high social inclusiveness together. In this context, sustainability, green transformation, efficiency, and equality opportunities will continue to be our main agenda items. The development of technology, innovation, and digitalization in a way that directly creates added value to these goals is of critical importance. We believe that our country will write a qualified growth story with its economic, environmental, and social axes by rapidly healing the wounds of the earthquake disaster we have been through, and we are channeling all our strength into concrete investments and solutions that contribute to these goals.

In the 100th anniversary of our Republic, as the large TSKB family, which includes our subsidiary companies, we are aware of our responsibility with our competent human resources, and we are ready to work harder and create value in the new hundred years of our Republic.



MURAT BİLGİÇ
Member of the Board of Directors and CEO



STRATEGY, PERFORMANCE AND EXPECTATIONS

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Strategic Plan

MISSION

We create value for the inclusive and sustainable development of our country with our financing and advisory solutions, which are powered by our qualified human resources, experience in the field of development and investment banking, visionary approach, and well-established international cooperations.

VISION

We aim to be the first business partner that stakeholders rely on, consult and prefer by offering quality services for the economic, environmental, and social development of Türkiye, and by pioneering with international best practices.

OUR VALUES

We are trustworthy and respectful.

GRI 2-22



ABOUT THE FUTURE

We will continue to work decidedly to realize our financial and non-financial short, medium and long-term capital targets in line with this strategy, which we keep up to date by correctly analyzing the risks and opportunities arising from external factors and taking into account stakeholder expectations. The risks and opportunities related to material issues and future expectations are available under the related capital items.

We review our strategic focuses every two years within the scope of Stakeholder and Materiality Analysis outputs and external factors in which we operate. You can access the stakeholder analysis outputs that we have updated this year from page 28 and the external factors from page 43.

Stakeholder Participation and Materiality Analysis

Significance of Stakeholder Communication

Reflecting an integrated perspective on its strategy and all business processes, our bank adopts an inclusive approach that takes into account the priorities and expectations of its stakeholders when determining material issues. Accordingly, within the scope of the activity cycle, we regularly carry out analyses in order to harmonize our strategic and material issues with the opinions of all our stakeholder groups and provide information about our approach to these issues in reporting processes.

Methodological Approach

TSKB reviews the stakeholder analysis every two years in line with the developments experienced during that period, taking into account the long-term strategy and business model of the institution. The outputs of stakeholder analysis form the basis of TSKB's Integrated Annual Reporting activities. In this report, we have taken the stakeholder analysis carried out in the period of October-December 2022 as a basis.

The stakeholder analysis was designed by TSKB Sürdürülebilirlik Danışmanlığı A.Ş. - Escarus in a structure containing 3 different evaluation questions in order to analyze the stakeholders' perception of TSKB and their views on sustainability priorities in more depth, unlike the Bank's relevant studies in previous years. In the study that we conducted as an online survey, we completed our analysis by obtaining numerical results from a sample representing the TSKB stakeholders universe. In the survey, we reached a total of 174 participants, formed of 115 internal and 59 external stakeholders. ✓

In our 2022 study, corporate strategies, trends related to national and international banking and finance sectors, global trends, and international sustainability framework documents were examined in the process of determining material issues in order to create an inclusive and current topic universe. In addition, we met with the Bank's Sustainability Management Committee and other department managers of strategic importance and received their opinions on the targets and forward-looking strategies that are considered important in the actual situation. Taking into account all the opinions collected during the workshop we organized with participants from the Sustainability Management Committee, we decided on the materiality topics.

Within the scope of the materiality analysis, we aimed to evaluate the importance of the topics for stakeholders in three dimensions, the adequacy of the studies TSKB has carried out so far on the relevant topic from the stakeholder's perspective, and how important the related topic will be for TSKB in the future. In addition, we have collected the thoughts that stakeholders would like to share by including an open-ended question at the end of the survey. Therefore, we had the opportunity to make a more in-depth analysis by collecting opinions from different aspects.

Another innovation that we implemented in our stakeholder analysis this year was the stakeholder weighting study. With this method, the ranking of the stakeholders was determined taking the opinions of the expert team and senior management, who determined the strategy and sustainability goals of our Bank.

As a result of this evaluation, we have created the materiality matrix by analyzing the sustainability strategy of our Bank and internal and external stakeholder expectations. We have prepared a materiality list, in which stakeholder expectations are outlined, based on this matrix.

Internal and external stakeholders participating in the materiality analysis according to the stakeholder weighting ranking are as follows:

Internal Stakeholder Group ✓

Senior Management

Members of the Sustainability Governance Committee

Board of Directors

All Employees

Shareholders

Subsidiaries

External Stakeholder Group ✓

Development Finance Institutions

Public Institutions / Auditors

Clients and Customers

Financial Institutions

NGOs

Academic Stakeholders

Intermediary Institutions

Suppliers

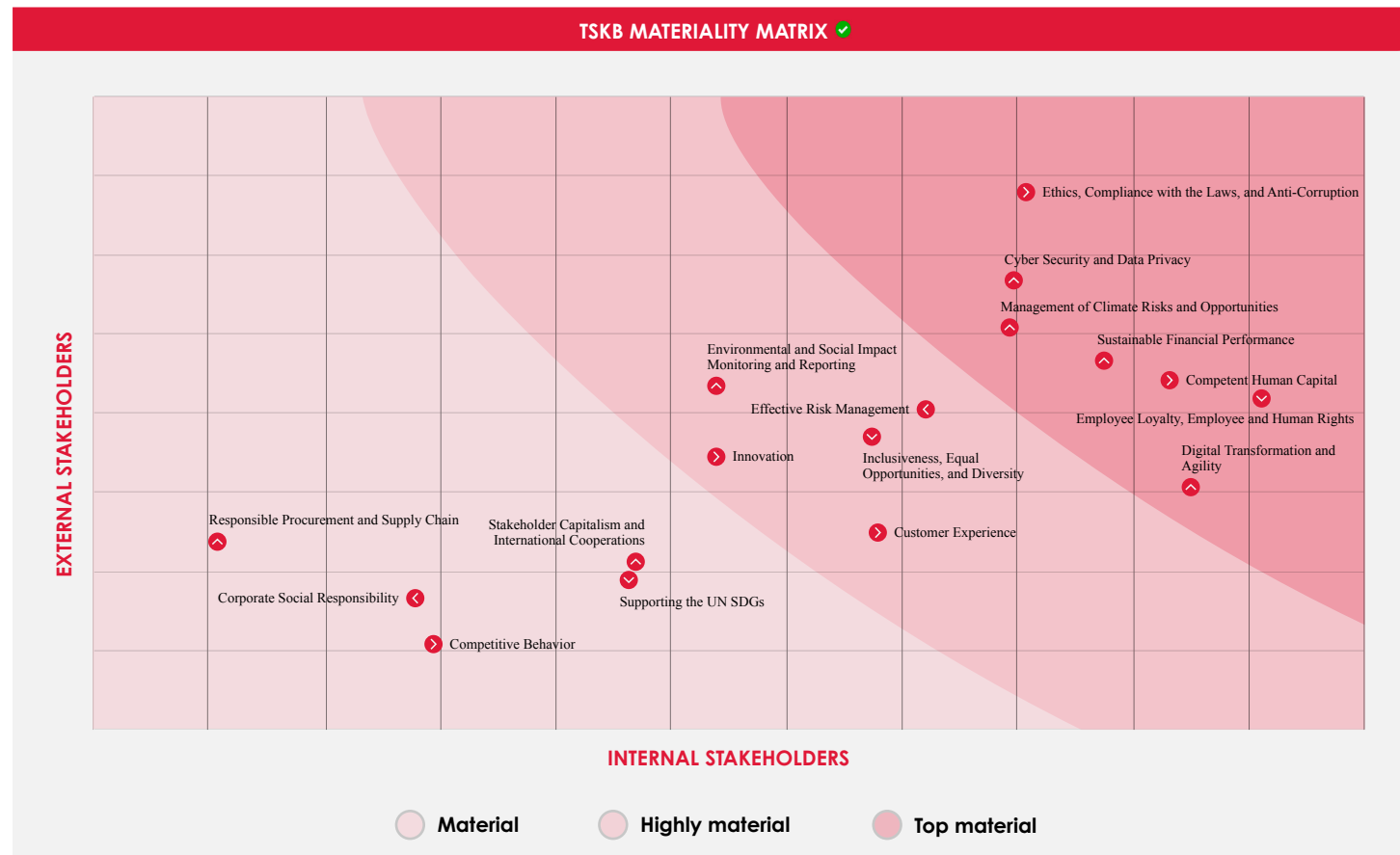
Strategic Plan

Stakeholder Participation and Materiality Analysis

Results and Evaluation of the Materiality Analysis

The materiality analysis underlines that TSKB is growing in harmony with all its stakeholders by taking into account the sustainability and responsible banking perspectives that it has designed for the qualified development of the country.

The priorities of TSKB's internal and external stakeholders determined as a result of the stakeholder analysis are presented below. The methodology followed within the scope of stakeholder engagement and materiality analysis activities, including the process of identifying very high priority, high priority and material topics, was examined in detail and verified by PwC Türkiye within the scope of third party verification studies.



TOP MATERIAL ISSUES FOR INTERNAL AND EXTERNAL STAKEHOLDERS

Ethics, Compliance with the Laws, and Anti-Corruption

TSKB has determined compliance with all laws and regulations, the prevention of corruption in commercial relations with stakeholders, and the maintenance of our activities in the light of ethical rules while carrying out its activities as its corporate governance approach. Our working rules, which are created in order to regulate the relations we establish with internal and external stakeholders within the framework of our ethical principles, improve the quality of service, and protect assets and resources, and which locate “integrity” and “honesty” at the center, are in our future focus.

In the survey results, the importance of full compliance with corporate governance principles, which is a critical area in sustainable banking, was also emphasized. The answers given show that stakeholders believe that TSKB is resistant to risks that will be exposed today and in the future as a result of its policies and practices based on fair, transparent, accountable, and responsible banking principles, and that the soundness of the financial structure is important for stakeholders for the future as well.

Audit Mechanism: The related issues are managed by our Corporate Compliance department and are constantly under the scope of our Bank’s Audit Committee and Internal Control audit.

Cyber Security and Data Privacy

The regulations we have developed regarding data privacy and our high-level cyber security practices show that we have adopted the importance of the confidentiality of corporate and personal financial data as a basic responsibility. We aim to constantly monitor new and advanced security systems to implement the most effective security solutions.

Audit Mechanism: The related issues are managed by our Information Security and Quality department and are constantly under the scope of our Bank’s Audit Committee and Internal Control audit. It is also subject to ISO 27001 audits.

Sustainable Financial Performance

The sustainability of our financial performance is critical in order to maintain our deep-rooted relations with our stakeholders, especially with our shareholders and funders, and be able to operate successfully for the development of our country in line with our long-term business model. Therefore, we act with a longer-term, impact-focused value and sustainable perspective in all dimensions and processes.

Audit Mechanism: Related issues are managed in a multifaceted manner, primarily by Financial Control, Budget, and Planning, as well as by our Financial Institutions and Investor Relations department, and are constantly under the supervision of our Bank’s Supervisory Board and Internal Control. It is also subject to periodic independent audit.

Management of Climate Risks and Opportunities

TSKB will continue in the future, as it is today, to take concrete steps in the areas of renewable energy and energy and resource efficiency projects as well as combating climate change and compliance in line with our target of financing sustainable development. Our Bank will continue to take an active role in the management of climate risks and opportunities by developing products in cooperation with subsidiaries in all business areas.

In addition to climate risks, risks caused by earthquakes and similar natural disasters that are not directly related to climate change are evaluated and prioritized under the heading of Effective Risk Management.

Audit Mechanism: Relevant issues are managed by our Risk Management department and the Climate Risks Working Group and are monitored by Senior Management and the Sustainability Committee. Also, external audit assurance is obtained for relevant issues that undergo periodic evaluations within the scope of various ESG indices and ratings.

Competent Human Capital

With the awareness that the cornerstone of our successful and sustainable performance is human resources, our main priorities include increasing employee satisfaction and ensuring the development of employees through investment in human resources and in-house training. In this era of rapid change and transformation, we aim to continue our operations with a highly motivated, skilled, and qualified workforce.

Audit Mechanism: The related issues are managed by our Human Resources department and are constantly under the scope of our Bank’s Audit Committee and Internal Control audit.

Employee Loyalty, Employee and Human Rights

The Bank followed a human resources policy based on diversity and equal opportunity, adopting the principle of equality in all practices within this scope. In order to carry out human resources processes on an equitable basis for all our stakeholders, we aim at full compliance with the Equal Opportunity Model. We regularly measure the satisfaction and commitment levels of our internal stakeholders through the surveys we conduct, and we offer a platform where they can communicate their thoughts and suggestions. By taking these feedbacks into our focus, we take additional steps that are deemed necessary in line with our improvement targets that we have determined.

Strategic Plan

Stakeholder Participation and Materiality Analysis

We are committed to applying a model pattern in which all stakeholders, both our own employees and our suppliers, are evaluated at the same level by showing sensitivity to the issue of compliance with international human rights standards in the future periods as well.

Audit Mechanism: Relevant issues are managed by our Human Resources department and undergo periodic evaluations within the scope of various ESG indices and ratings. In addition, our Bank is also audited by the Inspection Board and Internal Control.

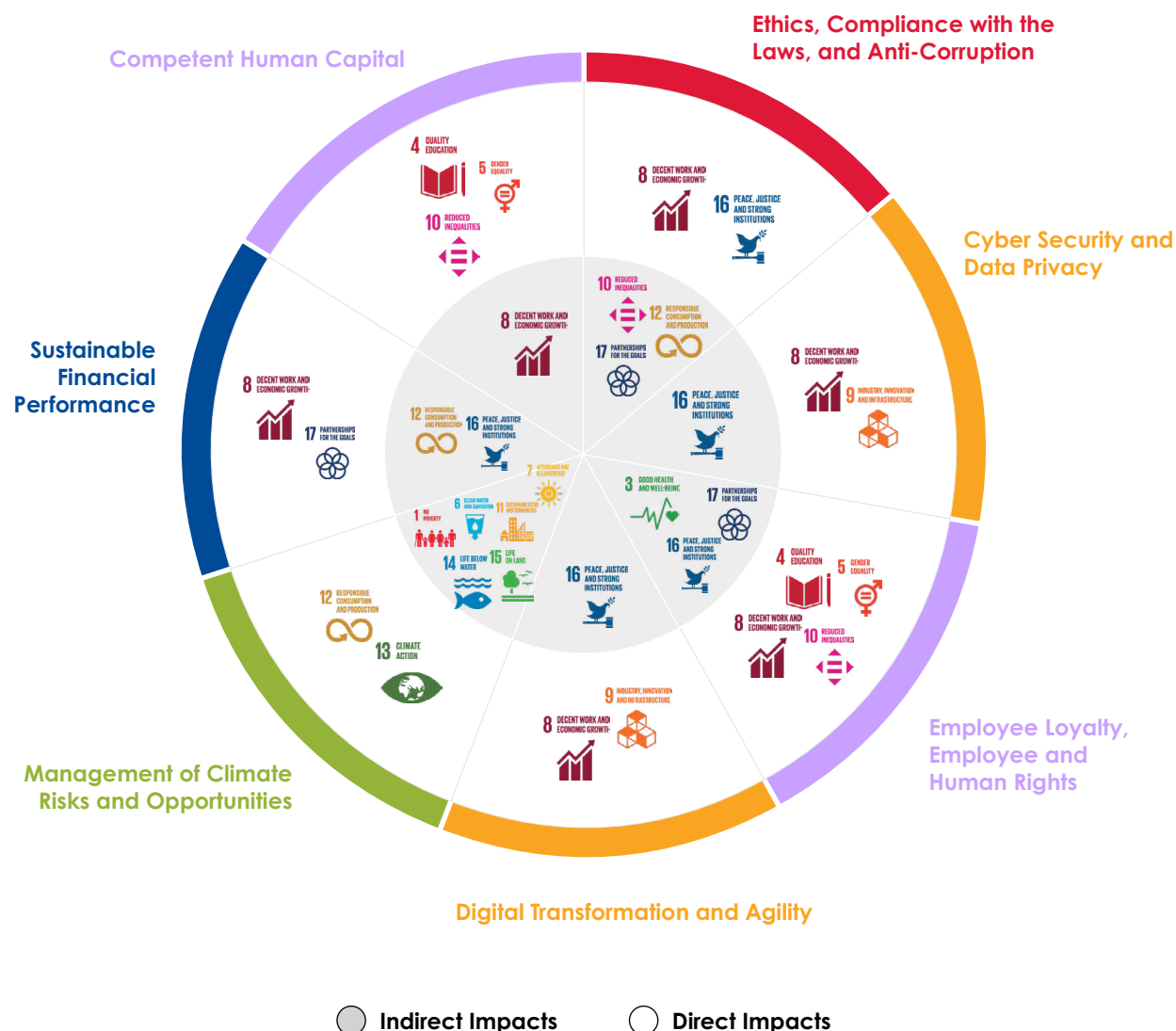
Digital Transformation and Agility

We continue our efforts to multiply end-to-end digital solutions, improve user experiences, and automate the processes identified under Robotic Process Automation (RPA) by placing digitalization at the center of our business model. In addition, in order to benefit from the gains of agile management, we continue to carry out studies and provide trainings to employees for the internalization of this model by spreading it in our Bank.

Audit Mechanism: The related issues are managed by our Information Security and Quality department and are constantly under the scope of our Bank's Audit Committee and Internal Control audit. It is also subject to ISO 27001 audits.

Associating Material Areas with Sustainable Development Goals

We evaluated the results of the materiality analysis within the framework of SDG and identified the SDGs that our Bank's material issues directly and/or indirectly contributed to. The following table shows which SDGs are served by the material issues determined as a result of the Stakeholder Analysis:



Direct impact refers to SDGs to which the relevant material issue makes a direct contribution. This material issue touches on the majority of the sub-targets of the relevant SDGs and contributes to these SDGs in their entirety.

Indirect impact refers to SDGs where the relevant material issue touches at least one of its sub-targets.

Taking into account the sustainability vision of our Bank and the practices it has implemented in this direction, the SDGs that are considered as a material focus area for the Bank in the future

SDG 4: Quality Education



- Supporting life-long learning
- Professional training platforms

SDG 10: Reducing Inequalities



- The activities carried out and the trainings offered to ensure income equality, social equality, and inclusiveness

SDG 5: Gender Equality



- Elimination of gender-based opportunity inequality
- Strengthening the role of women in decision-making mechanisms

SDG 12: Responsible Production and Consumption



- Prevention of waste and pollution
- Recycling
- Circular economy

SDG 8: Decent Work and Economic Growth



- Contribution to sustainable economic growth
- Creation of employment under favorable conditions

SDG 13: Climate Action



- Combating climate change and strengthening the capacity of resilience against and adaptation to climate risks

SDG 9: Industry, Innovation and Infrastructure



- Supporting inclusive and sustainable industrialization and producing projects for development
- Applicability of knowledge to innovation

SDG 16: Peace, Justice and Strong Institutions



- A strong, transparent, and accountable communication and sustainable cooperation with stakeholders
- Strengthening international cooperation

Strategic Plan

Stakeholder Participation and Materiality Analysis

Table of Relations with Stakeholders

Stakeholder Group	Expectations, Recommendations and Positive Effects	Relationship with TSKB Sustainability Priorities	Communication Method and Frequency	TSKB's Response
Financial Institutions	TSKB is an institution that has proven itself with a strong governance system in the field of ESG and targets on the basis of capital	Environmental and Social Impact Monitoring and Reporting	Environmental and Constant communication through all kinds of communication channels	At our bank, we deal with ESG issues at the Board of Directors level within the framework of the Sustainability Management System established in 2014. With the participation of the Board of Directors, we set long-term targets complying with the bank's strategy under this structure.
		Supporting the UN SDGs		
		Stakeholder Capitalism and International Cooperations		
Development Finance Institutions	Calculation and reporting of financial institutions' financed emissions	Environmental and Social Impact Monitoring and Reporting	Constant communication through all kinds of communication channels	Our Scope 3 emission calculation studies, which we started at the end of 2021, continued to cover 8.4% of the portfolio in 2022.
		Management of Climate Risks and Opportunities		
Investors	Conducting transparent reports in accordance with international standards, attaching importance to simplicity, and enriching reports with numerical targets and data	Environmental and Social Impact Monitoring and Reporting	Constant communication through all kinds of communication channels	We report both our financial and non-financial performance in accordance with internationally accepted standards and by supporting them with data subject to audit.
		Supporting the UN SDGs		
		Stakeholder Capitalism and International Cooperations		
Employees	Transforming supply chain management in the direction of companies that comply with SDGs and make commitments in this regard	Responsible Purchasing and Supply Chain	Participation in various committees and working groups, continuous communication through HR practices such as Open Door and complaint mechanism	We regularly update our supply chain policies and procedures.
		Supporting the UN SDGs		
		Stakeholder Capitalism and International Cooperations		We organize a Sustainability Workshop every year in cooperation with different universities. We share our experience about current trends and practices in the field of sustainable banking as guests of different courses through our representatives.
	Supporting R&D projects carried out in universities within the scope of fighting against and adaptation to climate change	Management of Climate Risks and Opportunities		
		Corporate Social Responsibility		
	TSKB's many multi-faceted initiatives in the field of sustainability and the satisfaction of working in an institution which is highly sensitive to the environment	Employee Loyalty, Employee and Human Rights		Our Bank inspires and pioneers with our innovative solutions and sustainability practices.
		Supporting the UN SDGs		
		Corporate Social Responsibility		

Stakeholder Group	Expectations, Recommendations and Positive Effects	Relationship with TSKB Sustainability Priorities	Communication Method and Frequency	TSKB's Response
Board of Directors	Ensuring capital adequacy in a stable manner by exceeding the cost of economic capital with sustainable profitability and sound asset quality	Sustainable Financial Performance	Strategic communication through Senior Management, General Secretariat, and committees	We aim to achieve sustainable financial performance with an effective risk management approach in line with changing macroeconomic conditions and regulations.
Senior Management	Financial soundness and the creation of a strong, sustainable, and competitive business model	Sustainable Financial Performance Competitive Behavior High Caliber Human Capital	Constant communication through all kinds of communication channels	We aim to achieve sustainable financial performance with an effective risk management approach in line with changing macroeconomic conditions and regulations.
Clients and Customers	Many companies benefit from TSKB's privileged advisory services through its expert staff	High Caliber Human Capital Customer Experience	Effective communication through bank representatives, contact forms, and complaint mechanism	With our HR applications, we systematically support the technical capacity and personal development of our employees both through the digital platform and in physical environments.
Suppliers	High sensitivity about sustainability	Stakeholder Capitalism and International Cooperations Environmental and Social Impact Monitoring and Reporting Competent Human Capital	Transparent communication through the contact forms and complaint mechanism	We observe compliance with the ESG criteria in each component of our value creation model. We pay attention to the fact that all our stakeholders with whom we have established cooperation have the same approach.
NGOs	Taking a more active role in social responsibility issues as well as commercial activities	Corporate Social Responsibility	Focused communication through the representatives of the association and the working group	We are increasing our influence by implementing responsibility projects in many dimensions such as education, art, environment, and inclusivity.

Governance Structure

Sustainability

WE CONTINUE TO EXPAND OUR SPHERE OF INFLUENCE AND GENERATE ENVIRONMENTALLY AND SOCIALLY ORIENTED VALUE BY INTEGRATING OUR SUSTAINABILITY PRIORITIES INTO OUR BANK'S STRATEGY, BUSINESS PLAN AND MANAGEMENT STRUCTURE.

Internalized end-to-end sustainability concept

We continue to support the sustainable development of Türkiye with our sustainability-related products and services. In this context, our Bank has structured the Sustainability Management System (SMS) to cover all its business processes, in order to mitigate the environmental and social impacts arising from its banking activities and to support Türkiye's transition to a low carbon economy.

The Sustainability Policy is the main framework of TSKB SMS. We support the Sustainability Policy, which we first published in 2012 and revised in 2015, with nine complementary auxiliary policies with environmental, social, and governance themes. In the annex of the complementary TSKB Environmental and Social Impact Policy, a List of Activities Not to be Financed was published, setting out the activities which TSKB would not finance for the sake of responsible banking.

In 2022, we updated TSKB's Sustainability Policy and seven supporting policy documents in the light of global sustainability standards, sustainability indices and other developments of priority. In addition to the auxiliary policies, we published the TSKB Responsible Communication Policy in 2022. With this policy, which is a first in our country, we have determined the principles that take into account the understanding of sustainability and responsible banking in our brand communication activities.

Click [here](#) for the relevant policies.

Sustainability Committee

All sustainability efforts across the Bank are managed by the Sustainability Committee, which was established in 2014 and consists of 4 Board Members, CEO and 2 Executive Vice Presidents as of the end of 2022. 

Click [here](#) for the operational structure, working principles, and other details of the Committee.

The Committee convened 3 times in 2022 to ensure the coordination of business plans and activities created within the scope of our strategy, vision, and goals in sustainability, closely monitor the activities of the sustainability management committee and working groups.

Sustainability Management Committee

The Sustainability Management Committee, established in parallel with our vision, strategy, goals, and business plans about sustainability issues, especially climate change, convenes every 2 months during the year in order to ensure the dissemination of our sustainability activities throughout our Bank and their integration into our differentiating business processes.

A team of 14 people consisting of TSKB CEO, Executive Vice Presidents directly related to sustainability, and the sustainability working heads reports their activities to the TSKB Sustainability Committee.

The annual targets of the Sustainability Management Committee are set clearly and measurably, and are reflected in the performance scorecards of all management committee members.

The internal coordination of the sustainability structure at TSKB is carried out by the Sustainability Coordination Officer.

Working Group activities, global and local developments, planned projects, targets and achievements are discussed at the Sustainability Management Committee meetings.

WORKING GROUPS

Our sustainability activities are carried out by 11 Working Groups affiliated to the Sustainability Management Committee. In this context, we categorize our activities under four main headings: Strategy, Corporate Governance, Environment and Climate, and Social Impact and Inclusion. ✔

The heads of the Working Groups are selected from various department managers and group managers, and the Working Groups are managed in a dynamic manner.

As of the end of 2022, 69 people from TSKB's 23 departments took part in Committees and Working Groups. This represents 18% of the banking staff. ✔

The objectives of the Sustainability Committee are distributed to every employee involved in this structure and are considered as a part of the employee performance evaluation.

TSKB SUSTAINABILITY MANAGEMENT STRUCTURE ✔



Governance Structure

Sustainability

OUR SUSTAINABILITY ACTIVITIES ARE CARRIED OUT BY 11 WORKING GROUPS FOCUSED ON STRATEGY, CORPORATE GOVERNANCE, ENVIRONMENT AND CLIMATE, AND SOCIAL IMPACT AND INCLUSION.

STRATEGY

Sustainability Strategy Working Group

Within the Working Group, the compliance of the sustainability activities of our Bank and our subsidiaries with the Sustainability Strategy of our Bank has been followed due to national and international developments.

CORPORATE GOVERNANCE

Cooperation with Initiatives and Indexes Working Group

Established to determine the need for resources in cooperative sustainability efforts with international and supranational financial institutions and international initiatives, to organize the work, and to follow-up the developments with national and international sustainability rating companies, the Working Group continued its activities.

We have been included in the newly established BIST25 Sustainability Index by maintaining our place in the BIST Sustainability Index in 2022. A new methodology was applied by the external consultant Refinitiv company, which started to evaluate the ESG performance of the companies included in the index in 2022. In accordance with this methodology, we conducted gap analysis and action plan studies and increased our rating to A.

Sustainability Reporting Working Group

Closely following the latest frameworks and criteria with domestic and international good practices, observing high standards with our international recognition, we presented our financial and non-financial performance and our direction for the future to all our stakeholders with the sustainability reports, especially the Integrated Annual Report and CDP report.

In this context, our Integrated Annual Report of 2021 was awarded the honor award in the “non-traditional integrated annual reports” category by the International Reporting Awards ARC Awards.

Again, in the CDP (Carbon Disclosure Project) Climate Change Program, which we publish on an annual basis, we responded to the newly added topics in 2022 and carried out improvement activities. Positioning ourselves above the global average in our own activity category in 11 of 12 titles in total, our grade increased from B to “A-”, which is the “leadership” level.

In addition, by participating in the “Early Adopters” program initiated by UN Global Compact this year for the new reporting system that it will launch in 2023, we became one of the first institutions to respond to the detailed set of questions.

Sustainability Communication Working Group

We carried out the communication activities of our Bank’s sustainability studies and continued to share information through zero carbon activities and sustainability-themed portals. We participated in the TSKB Responsible Communication Policy and intra-bank energy efficient communication campaign studies published in 2022.

ENVIRONMENT AND CLIMATE

Sustainability Management System Working Group

We continued to provide trainings to our Bank and related subcontractors in order to increase OHS and sustainability awareness within the Working Group established to monitor and evaluate the internal environmental impacts and occupational health and safety performances of our Bank.

In 2022, the Bank successfully completed ISO 14001, ISO 14064, and ISO 45001 audits with the help of the Sustainability Management System Working Group's efforts.

Climate Risk Working Group

Climate change poses financial risks to the banking sector but also presents a variety of opportunities. Based on this point, we continue to carry out studies in the Working Group established in the sustainability organization in 2020 within the scope of measuring the financial risks of our Bank arising from climate change, conducting scenario-based analyses to measure the impact of risk factors in the medium- and long-term, and managing and integrating them into the bank's risk model. While closely following all variable parameters in this area, we improved capacity in efforts for Net-Zero Commitment and Science Based Targets.

Green Swan Working Group

The Green Swan Working Group was established in 2021 to act jointly and take action against the climate crisis. Our Bank published various reports on climate related themes within the Green Swan platform.

Click [here](#) for the related reports.

Innovative ESG Products – Investment Banking Working Group

Within the Working Group established in 2021 to develop sustainable labeled products on behalf of our customers and work to implement similar applications in our Bank and our subsidiary Yatırım Finansman by following the examples of good practices in the world, we have followed sustainable and green labeled products and developments in the world and Turkish capital markets, participated as speakers in organizations related to this issue, and cared for stakeholder cooperation.

SOCIAL IMPACT AND INCLUSION

Social Impact Management Working Group

In the Working Group, we continued to carry out studies, prepare training programs, follow national and international good practice examples, and develop capacity in order to improve our social impact analysis approach in our Bank's direct and lending activities. In 2022, we included an expert sociologist in the Working Group.

Gender Equality Working Group

We were included in the Management Committee of IDFC in 2019. As in 2021, we continued the Gender Equality Working Group Presidency activities within the Club in 2022. We continued to carry out gender equality efforts meticulously in order to increase awareness in the real sector in 2022. In the coming period, in this context, we aim to complete the integration of a similar structure into the lending process by analyzing the results of the survey we conducted in 2022.

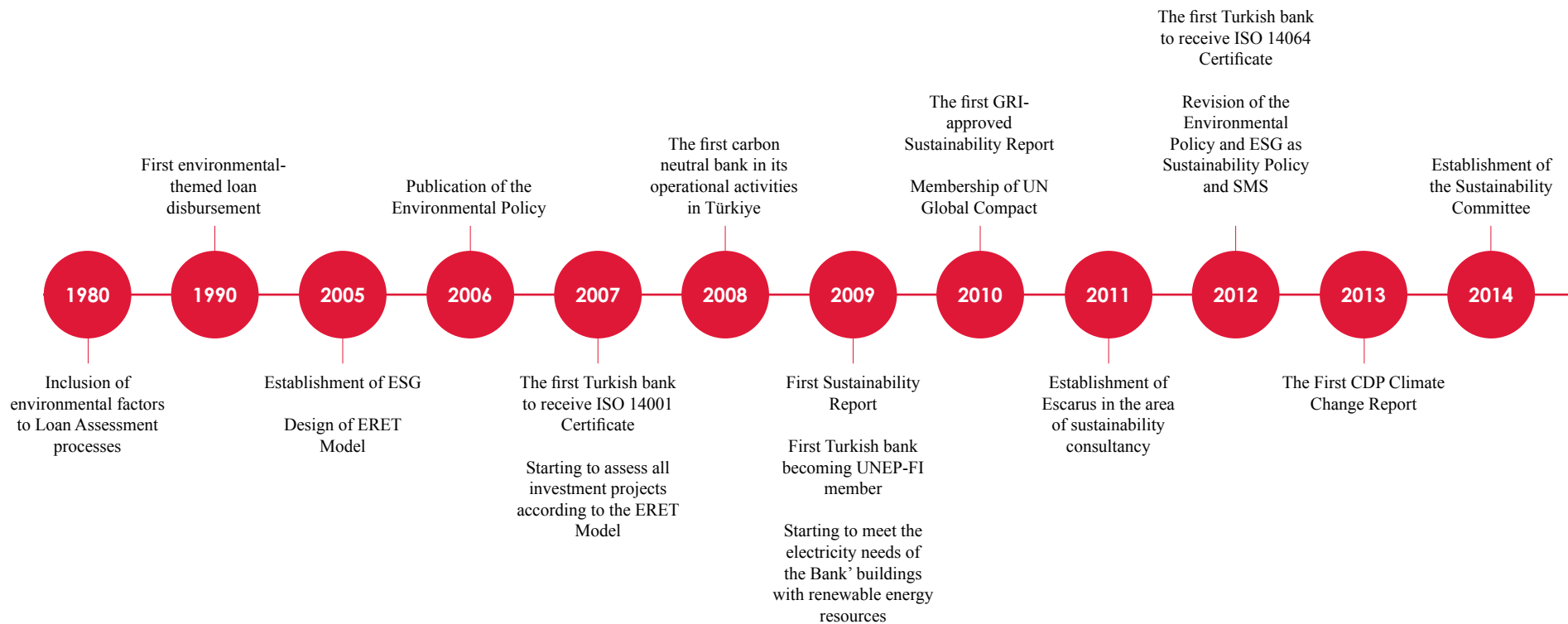
SDG Mapping Working Group

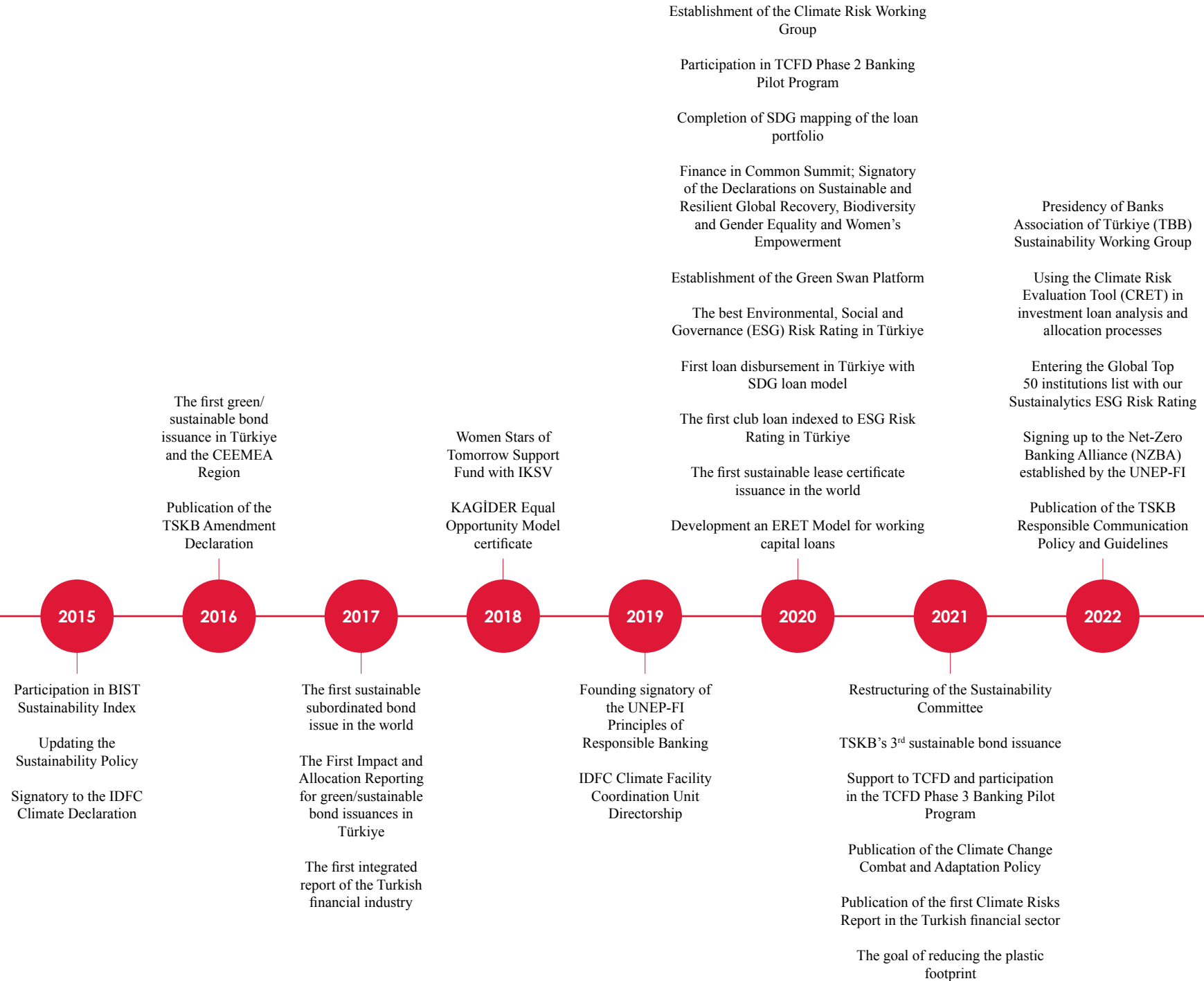
Within the Working Group established in 2021 to measure and report the contribution of investment and working capital loans granted by our Bank to SDGs, we follow the developments related to SDGs on a global and national scale and participate in trainings. We participated in information sharing workshops about our SDG Mapping Model with IDFC member banks and consultant organization Natixis. We carried out external assurance studies in 2022 for the audit of our SDG Mapping Model.

Governance Structure

Sustainability

MILESTONES IN THE SUSTAINABILITY JOURNEY





Governance Structure

Sustainability

11 WORKING GROUPS ARE RESPONSIBLE FOR ACTIONS RELATED TO A NUMBER OF DECLARATIONS AND PRINCIPLES OF WHICH TSKB IS A SIGNATORY.

DECLARATIONS AND PRINCIPLES TO WHICH TSKB IS A SIGNATORY

11 Working Groups are responsible for actions related to a number of declarations and principles of which TSKB is a signatory.

- International Development Finance Club (IDFC) Climate Declaration
- The European Long-Term Investors (ELTI) - COP21 Declaration on the Transition to a Low Carbon Economy
- Women's Empowerment Principles (WEPS)
- Joint Statement on Energy Efficiency by the EBRD and UNEP-FI
- Global Compact Türkiye - Declaration of Sustainable Finance
- UNEP-FI Principles for Responsible Banking (Founding Signatory)
- The IDFC Gender Equality and Gender Equity Statement
- Social Investment Coalition – Social Investment Statement
- Business Plastics Initiative

IDFC Finance in Common

- Sustainable and Resilient Global Recovery Declaration
- Biodiversity Declaration
- Gender Equality and Women's Empowerment Declaration

International Development Finance Club (IDFC)

We continued our efforts on gender equality, climate change, biodiversity, compliance with SDGs, and similar issues in 2022 within the International Development Finance Club (IDFC), of which TSKB has been an active member since 2011 and became a member of the Management Committee in 2019. The main highlights during the year are as follows:

- We focused on the action plans proposed in the **“IDFC Collective Roadmap”** report, which was started to be prepared in 2021 and published in 2022 by the Frankfurt School of Finance and Management within the business plan of the IDFC Gender Equality Working Group, of which our bank is the chief coordinator.
- We supported the “Climate and Gender Equality” and “Biodiversity and Gender Equality” panels organized separately by the IDFC Gender Equality Working Group co-coordinators AFD and BICE at the IDFC Pavilion during COP27 held in Sharm El Sheikh, Egypt, as moderator and speaker.
- We participated in the meetings organized within the framework of the joint declaration on gender equality, which we participated among the signatories at the “Finance in Common” Summit, which was organized for the first time in 2020, and made presentations about the “IDFC Collective Roadmap” representing the IDFC Gender Equality Working Group.
- We contributed to the **“SDG Alignment”** study, which was conducted with Natixis advisory firm in the IDFC on compliance with SDGs and published in December 2022.

- We hosted the first climate-themed workshop event of the IDFC Climate Facility. While IDFC Climate Facility and consultant company Adelphi provided training to IDFC member organizations' experts responsible for climate and sustainability issues, it was aimed with this training that IDFC members would recognize and apply the basic products within the scope of climate strategy and climate risk management to their own institutions, share their own experiences on these issues, and exchange ideas on good practices.

TBB Sustainability Working Group

Our Bank holds the position of Chair of the TBB Sustainability Working Group and our Sustainability Coordinator Ayşe Nazlıca is the chairperson of the Sustainability Working Group and the Sub-Working Group.

The responsibility and coordination of the action of “3.2.5. Determining a roadmap for the development of sustainable banking” for the target of “3.2. Developing an ecosystem that will enable the development of green finance in our country” under the heading of “Green Financing Action Plan” numbered 3 of the “Green Reconciliation Action Plan” published in the Official Gazette dated 16.07.2021 was given to the BRSA.

In this context, the “Sustainable Banking Strategic Plan” was accepted with the Decision no. 9999 of the Banking Regulation and Supervision Agency dated 24.12.2021 to determine the roadmap for supporting the financing of activities to reduce greenhouse gas emissions within the scope of the Paris Agreement and the European Union Green Deal, managing financial risks stemming from climate change and developing sustainable banking activities.

- The TBB Sustainability Working Group continued the studies envisaged to be carried out in the document regarding the “Actions” in which TBB is designated as the “Responsible/Coordinating Institution” and “Actions” where the TBB is designated as the “Cooperation Organization” in 2022 as well. Within this framework, presentations to share experiences on Sustainability issues were delivered by Banks every month, and BRSA officials also participated in these meetings as guests. Some of the presentations, that were made at the meetings that attracted a lot of attention and intense participation, can be accessed from the **TBB website**.

In addition, during the year, studies were carried out to prepare a Guide on the “Preparation of Heat Map Methodologies and Creation of a Green Asset Ratio.” The Sustainability Sub-Working Group has been established specifically on this topic and the said working group convenes monthly with the BRSA officials. At each meeting, the green asset technical criteria studies on a sectoral basis have been presented for discussion by one or more banks. It is expected that the guide study will be completed in February 2023.

In 2022, a round table meeting titled “**Türkiye Transition Finance Workshop**” was organized in cooperation with the Institute of International Finance (IIF) and hosted by TBB. At the meeting, the environmental transformation process in Türkiye was discussed and five banks, including our Bank, made presentations on the planning and implementation of the transition to Net Zero and exchanged views with the World Bank, IIF, MC Kinsey, and GFANZ officials.

Our Bank is also actively involved in the roundtable discussions by NGOs and supports the resulting projects. Accordingly, our Bank took a role in the Environment and Climate Change working group under the TÜSİAD and Environment Roundtable, established in 2022 to deal with climate and environment issues that are of strategically important for Türkiye.

- On November 20, 2019, the Business World Plastics Initiative Platform was established by Global Compact Türkiye, SKD Türkiye and TUSIAD to continue its work on a voluntary basis. As TSKB, we published our targets on plastic reduction as a signatory to the commitments of the Business World Plastics Initiative in 2021. **The Plastics Commitments Progress Report**, which includes our performance for 2022, was published last year.

Governance Structure

Corporate Governance

We regard corporate governance and compliance with laws as important cornerstones in banking performance. We act in accordance with the transparency, accountability and risk management principles required by corporate governance in all our operations. Other committees operating under the Board of Directors as part of corporate governance:

Credit Revision Committee

It is not one of the mandatory committees stipulated by the CMB Corporate Governance Communiqué, but consists of the CEO, 3 Members of the Board of Directors, 2 Executive Vice Presidents, and the managers of the relevant departments. It convenes at least once a year to discuss the evaluation of the loan portfolio and the revision of limits.

Remuneration Committee

The Remuneration Committee determines and oversees the principles, criteria, and practices to be used in the remuneration of the Members of the Board of Directors and executives with administrative responsibility, taking into account the long-term targets of the Bank. It consists of at least two non-executive Board Members and meets at least once a year.

Audit Committee

The Audit Committee has been established to assist the Board of Directors in carrying out its audit and supervision activities. The committee consists of at least two non-executive Board Members and convenes at least 4 times a year.



Corporate Governance Committee

The Corporate Governance Committee determines whether the Corporate Governance Principles are applied in the Bank if not, the reason and the conflicts of interest that occur due to not fully complying with these principles. It makes recommendations to the Board of Directors to improve Corporate Governance Practices and

oversees the work of the Investor Relations Department. It consists of at least two non-executive Board Members and an Investor Relations Manager. They convene at least 4 times a year. The Members of the Board of Directors participating in the said committee are also members of the Nomination Committee.

*Committees take place with the full participation of members.

External Factors

Global Economic Developments

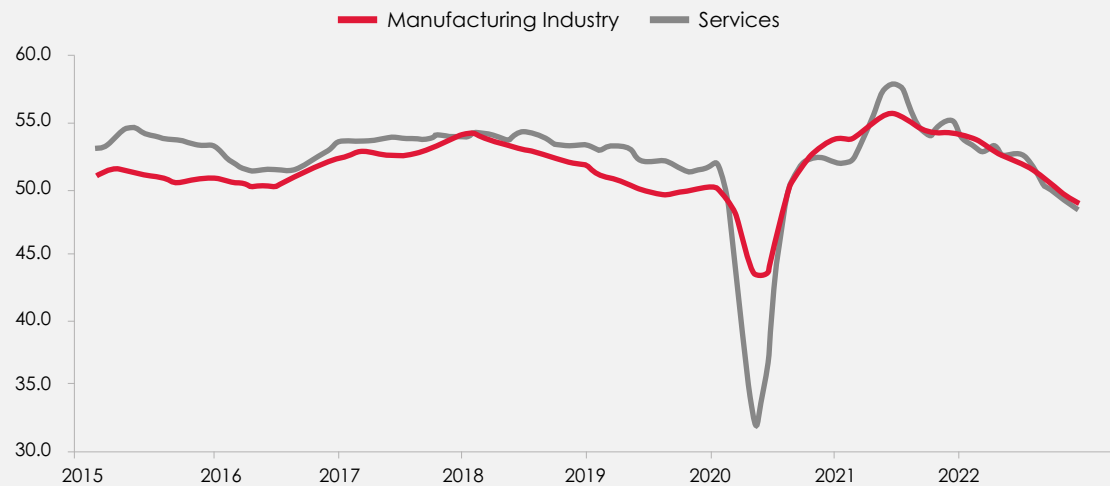
As global activity continues to lose momentum

After a rapid recovery in 2021, the world economy slowed down in 2022. While geopolitical tensions lead to rapid increases in energy prices and inflation, interest rate hikes lead to a tightening in global financial conditions. The global purchasing managers' indices (PMI) for the last quarter of 2022 have fallen into the contraction zone, indicating that the slowdown has become evident. Despite the optimism caused by China's reopening, it is estimated that downside risks to the outlook remain important due to tight financial conditions with the impact of interest rate hikes, and geopolitical uncertainties.

Fluctuation in energy prices has led to a rise in inflation

Geopolitical problems and supply constraints caused by the effects of the climate crisis triggered rapid increases in global commodity prices, led by crude oil and natural gas. The zero-case policy implemented in China for a long time against the COVID-19 pandemic limited the improvement in the supply chain, while the loss of momentum in global growth limited price pressures. The price of Brent crude oil per barrel, which is USD 70.9 on average in 2021, hovered close to USD 100 on average in 2022 due to geopolitical uncertainties. Despite the Organization of the Petroleum Exporting Countries' production quota cuts, it has returned to its levels at the beginning of the year with the price ceiling application on the axis of sanctions implemented against Russia. While China's opening may limit the weakening in demand, it is estimated that ongoing geopolitical uncertainties and climate-related factors may lead to volatility in commodity prices in the coming period.

GLOBAL MANUFACTURING INDUSTRY AND SERVICES PMI (3-MONTH AVERAGES)



Source: Reuters, TSKB Economic Research

External Factors

Global Economic Developments

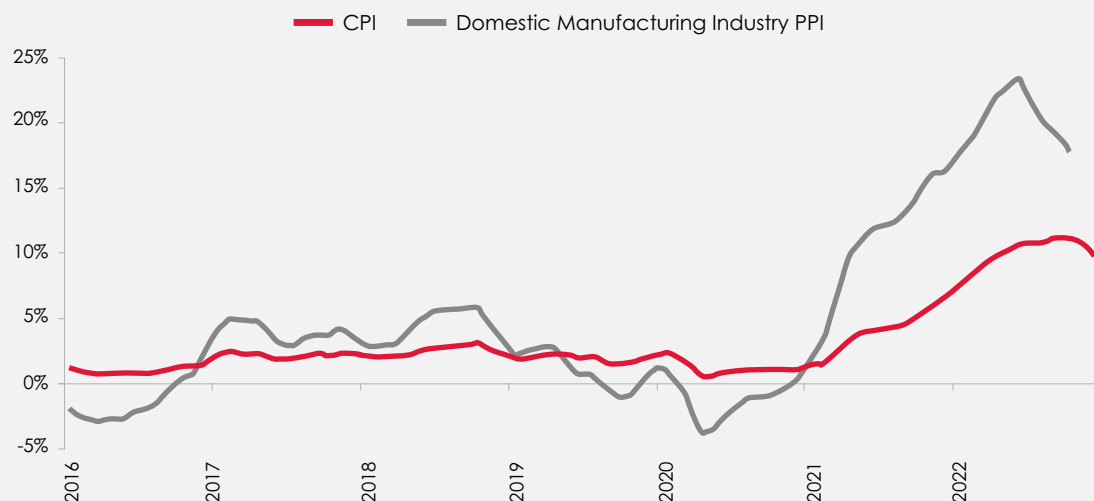
Accelerating inflation has caused widespread interest rate increases

While geopolitical problems caused dramatic increases in energy prices, they increased inflation during the year on a global scale to levels that have not been seen for a long time. Consumer price inflation in the member economies of the Organization for Economic Cooperation and Development (OECD), which was 6.6% at the end of 2021, ended up at 9.4% in 2022 after rising to 10.8% as of October. Producer price inflation, on the other hand, started at 15.5%, reached 22.1% in the middle of the year, and reached 17% as of October. With the significant deterioration in inflation dynamics, the US Central Bank (Fed) made the first increase in the monetary policy rate by increasing to the range of 0.25 - 0.50% by 25 basis points in the first quarter of 2022. At subsequent meetings, it accelerated the rate hikes and increased the policy rate up to 4.25%-4.50% at the end of the year. The European Central Bank (the "ECB"), on the other hand, announced the 0.50% deposit rate as 0.00% in July, ending its negative interest rate policy that it had been maintaining for eight years and increasing it to 2.00% by the end of the year. At the first meeting of the new year, the Fed increased interest rates by 25 basis points and the ECB by another 50 basis points, continuing to tighten monetary policies.

Although growth has improved slightly, inflation forecasts continue to be revised upwards

The International Monetary Fund (IMF) forecasts that world growth will slow down to 2.9% in 2023 after 3.4% in 2022. Although the figure is 0.2 percentage points above the expectation of three months ago, it is hovering below the long-term average. Although it pointed out that the tightening in global financial conditions and geopolitical developments have weakened the outlook, it has been noted that China's opening up could provide a recovery. While expecting the global trade volume to grow by 5.4% in 2022 and expand more slowly by 2.4% in 2023, it assesses that the improvement in inflation will be more limited than its previous forecasts. It predicts that the worldwide inflation, which it calculated as 8.8% in 2022, will decrease to 6.6% in 2023.

INFLATION IN OECD ECONOMIES



Sources: OECD, TSKB Economic Research

Developments in the Turkish Economy

TSKB IN THE LIGHT OF ECONOMIC DEVELOPMENTS

Although the recovery in the economy continues, no significant increase in FX loan demand was observed compared to last year. In 2022, our support to the economy with cash and non-cash loans exceeded a total of USD 2 billion. In this context, climate finance and inclusiveness continued to be prominent mainly in our new loan disbursements.

Closely monitoring risks and opportunities, we will increase our support to the economy compared to the previous year with our lending, investment banking and advisory activities, and our subsidiaries in 2023.



[See Financial Capital](#)

GDP grew by 5.6% in 2022

The Turkish economy, which completed 2021 with high growth, remained resilient in 2022. After the strong performance of 11.4% recorded in the previous year, gross domestic product (GDP) grew by 5.6% in 2022 compared to 2021. In this period, when private sector consumption continued to make the highest contribution to growth, the support of net external demand for growth slowed down. Annualized GDP in US dollar terms, which was USD 807.1 billion at the end of 2021, rose to USD 905.5 billion in 2022. Although leading data indicate that economic activity is still resilient in early 2023, it is thought that the impacts of the earthquake are significant for the performance in the following period of the year.

Budget revenues increased above expenditures

While central government revenues increased by 99.9% in 2022 compared to the previous year, the increase in tax revenues reached 102%. In the same period, there were increases above inflation with 83.4% in total expenditures and 84.9% in expenditures excluding interest. Thus, the budget deficit, which was TL 201.5 billion in 2021, decreased to TL 139.1 billion in the same period of 2022. The primary balance, which had a deficit of TL 20.7 billion in 2021, had a surplus of TL 171.8 billion in 2022. It is expected that the ratio of the budget deficit to GDP will be around 1% in 2022, while it is thought that the course of domestic demand may be important for the budget performance in 2023.

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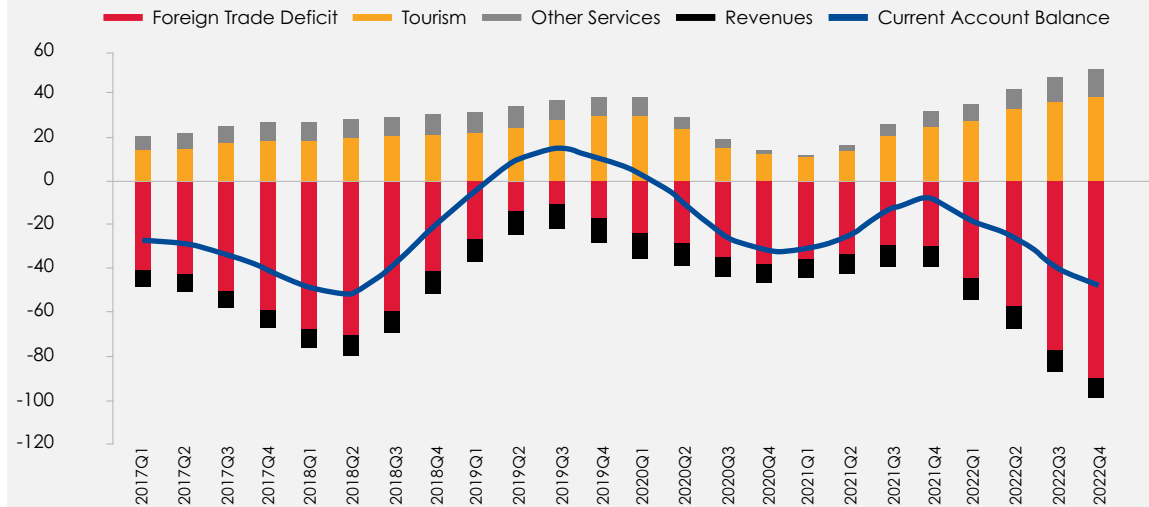
External Factors

Developments in the Turkish Economy

The increase in energy and commodity prices negatively affected the current account balance

The exports slowed down, while the foreign trade deficit widened due to high commodity prices. For this reason, despite the recovery in tourism, the current account deficit increased from USD 7.2 billion in 2021 up to USD 45 billion in 2022. In 2022, when capital flows pointed to a net outflow, a fluctuating course was observed in foreign currency reserves with foreign borrowings and net errors and omissions items. Outflows in portfolio investments continued, while foreign direct investment inflows remained limited. With the contribution of the net errors and omissions inflow, there was an increase in reserves of almost USD 18 billion throughout the year.

COMPONENTS OF CURRENT ACCOUNT BALANCE (12-MONTH TOTALS, USD BILLION)



Source: TCMB, TSKB Economic Research

Inflation continued to rise throughout the year in line with the global developments

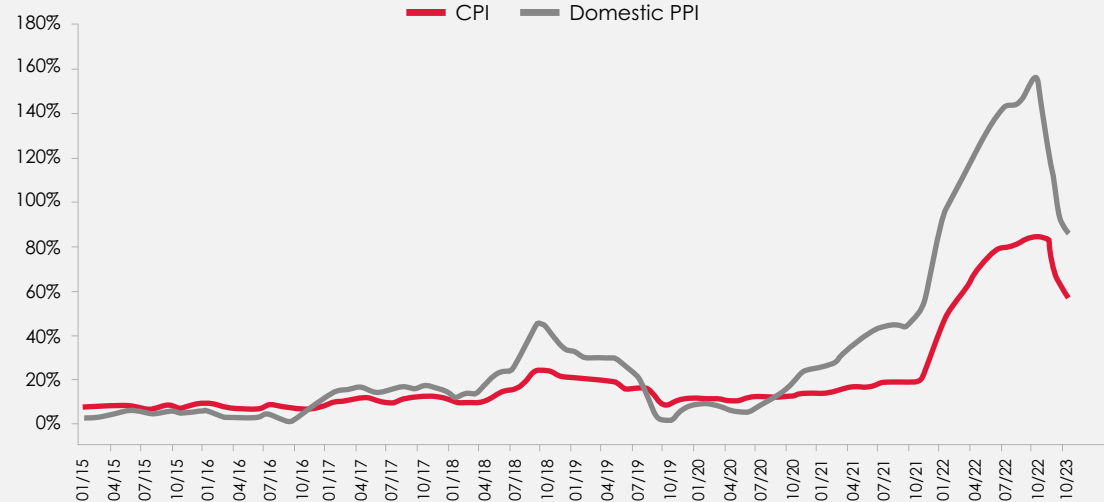
Domestic demand remained strong throughout 2022, while inflation increased as a result of the deterioration in global and domestic cost elements and expectations. The general consumer prices index (CPI), which was 36.1% at the end of 2021, increased to 85.5% in October and decreased to 84.4% in November and 64.3% in December due to the base effect in the last two months. The domestic producer prices index (D-PPI) increased from 79.9% at the end of 2021 to 157.7% in October and, as with consumer inflation, declined rapidly to 97.7% in the last two months of 2022. In addition to the decline in commodity prices in the near term, the limited rise in exchange rates is easing inflationary pressures. With these trends, both consumer and producer inflation continued to decline in the first month of 2023 and fell to 57.7% and 86.5%, respectively.

After keeping the monetary policy rates steady in the first seven months of the year, the CBRT made some decreases in them. It decreased the policy rate, which is 14.00% at the end of 2021, to 13.00% in August and 12.00% in September. The CBRT cutting interest rates by 150 basis points each in October and November ended the cuts by pulling the weekly repo rate to 9%. As part of the liraization process, it has implemented a set of macroprudential policies to influence the monetary transmission mechanism.

Growth is expected to continue in 2023

While the weakening in external demand was not as severe as was feared, the slowdown in domestic demand seems limited. In this environment, the Turkish economy, which is calculated to have grown by over 5% at the end of 2022, is expected to grow by around 4% in 2023. However, it is estimated that the earthquake has somewhat increased the uncertainties in the domestic macroeconomic outlook.

ANNUAL INFLATION RATES



Source: TÜİK, TSKB Economic Research

External Factors

Sectoral Developments

TSKB IN THE LIGHT OF SECTORAL DEVELOPMENTS

In the past year, we have increased our core banking revenues thanks to our successful balance sheet management. We achieved a return on equity of 41.1% with a net profit of TL 4 billion, which was also contributed by our subsidiary revenues. During the year, our strong profitability supported our capital and high provision ratios, which is an extension of our conservative approach. At the end of the year, we were in line with our forecasts in terms of asset quality.

We will maintain our sound asset quality in 2023, during which we will closely analyze and monitor risks and opportunities in light of sectoral developments. We anticipate that we will see some normalization in our net credit risk cost.

We will continue to support the Turkish economy with our strong capital.



[See Financial Capital](#)

We ended a year where regulatory developments were significant for the industry.

In the banking industry, 2022 was a year during which the liraization strategies of the CBRT directed the banking industry. Within the scope of the macro-prudential policies for assets and liabilities in the balance sheet which were set to raise the weight of the Turkish lira permanently, lending and effective management of liabilities with securities management were the topics that steered the banking industry.

The credit growth of the sector in 2022 is 40.6%. While FX credit growth, adjusted for the exchange rate effect, decreased by 12.2% compared to last year, TL loans grew by 80.5%. Looking at the bank group basis, credit growth in public banks was higher than that of private banks and reached to 44.3% increase.

The sector maintained its strong capital structure in 2022.

While the Loan/Deposit ratio was 93.2% at the end of 2021, this ratio decreased to 84.8% as of December 31, 2022. In 2022, as a result of exchange rate-protected deposits and decisions taken, it was observed that savers were oriented towards TL-denominated deposits due to the effect of the change in interest rates, and a 150% increase was recorded in TL-denominated deposits compared to the beginning of the year.

The occurrence of non-performing loan is at a limited level in 2022, and the non-performing loans ratio has been decreasing with the performing loan contribution since the beginning of the year. While it became horizontal at a 2.3% level after July, it was observed at a 2.1% level at the end of 2022. On a nominal basis, the highest non-performing loan occurrence is 25.2% in consumer loans, while it is observed that non-performing loan occurrence is 22.1% in personal loans.

The profit of the banking sector in 2022 was TL 433.5 billion and an increase of about 4 times compared to the same period last year was observed. This increase in net profit was due to the positive effect of the widening loan deposit spread along with the returns on CPI-indexed securities. Increases in profitability ratios were observed with the contribution of core banking activities. Since the beginning of the year, it has been observed that the net interest margin has been 8% across the sector when calculated including commercial profit/loss, while this ratio has reached 9.3% in private banks. Along with the increase in the net interest margin, it was observed that the return on equity of the banking sector also increased from 15% seen in 2021 to 41.6%.

The banking sector continued to maintain its strong capital structure. The capital adequacy ratio of the sector is 19.5% as of December 2022, taking into account the regulatory changes of the BRSA.

CBRT liraization strategy continues to be implemented

Taking into account the impact of inflation and the regulations, which were adopted in 2022 and which we think will continue in the coming period, we estimate that the credit growth in the sector will be 30% in 2023. The fact that the policies to be implemented within the framework of the Liraization Strategy continue to be used to increase the TL weight on both the asset and liability sides of the banking system indicates that the profitability of banks will have a limited increase compared to that of 2022. However, with the effect of the decisions taken, the increase in deposit rates will direct the preferences of savers to TL deposits and will continue to increase the share of TL deposits in total deposits.

Legislative Developments

TSKB IN THE LIGHT OF NEW LEGAL REGULATIONS

In the past year, we have frequently seen legislative changes entering into force, especially in the banking sector, and we have closely followed their reflections on us and the sector. Due to our unique business model, the impact of these changes was limited on our Bank.

We will continue to take the necessary actions by closely following the regulatory developments that may affect us in 2023 as well. In this context, we will continue to review our strategy, operations, and responsibilities that aims to control the risks we might be exposed to.



See Financial Capital



See Corporate Governance and Risk Management

Regulations and regulatory changes by authorities

Arrangements were made regarding the conditions for cash loan disbursements in TL with the decisions taken by the Banking Regulation and Supervision Agency to strengthen financial stability and make the credit system work effectively by using resources more efficiently. The risk weights of the loans to be extended to legal entities performing derivative transactions with foreign residents to ensure that the resources are used to meet the financing needs of the segments in need of financing have been increased. Within the scope of macroprudential measures and the liraization strategy, regulations regarding the principles related to securities to be held in CBRT were published.

As of January 2023, all general provisions and special provisions allocated in accordance with the Regulation on the Classification of Loans and the Procedures and Principles Related to the Provisions to be Allocated for them will be taken into account in the calculation of the standard ratio of foreign currency net general position/equity, and this ratio has been set at five percent.

The Regulation on Communication of Confidential Information entered into force in July 2022, defining the scope, form, procedures, and principles regarding the communication and transfer of bank and customer secrets.

The Medium-Term Program (2023-2025), which includes policies and measures related to growth, green transformation, employment, price stability, the balance of payments, financial stability, and public finances, was approved by Presidential Decree in September 2022. In October, Türkiye, having ratified the Paris Agreement in the parliament, announced its updated Statement of Contribution to the public at the COP27 event.

The Guide for Capital Market Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate, prepared by the Capital Markets Agency and aims at increasing compliance with the best practices and standards in international financial markets in issuances and the transparency, integrity, consistency, and comparability in the financing of projects, was published in February 2022.

The Banking Regulation and Supervision Agency has published the Sustainable Banking Strategic Plan (2022-2025) to determine the roadmap for the development of sustainable banking.

The Energy Market Regulatory Authority has made some arrangements for storage legislation with amendments to the Electricity Market License and Electricity Market Storage Activities Regulations.

In terms of tax regulations, with the amendment to the Corporate Tax Code, it was stipulated that the corporate tax rate for banks will be applied as 25% to corporate earnings for the year 2023 and subsequent taxation periods.

By the regulation of the Tax Procedure Law dated January 2022, the financial statements dated 31.12.2023 will have to be subject to inflation adjustment, regardless of whether the conditions for inflation adjustment have been met.

Combating Money Laundering and Financing of Terrorism, and Sanctions

In 2022, various regulations were put in place by the Financial Crimes Investigation Board on the laundering of proceeds of crime and the prevention of financing of terrorism. The Communiqué on the Tightened Measures on Persons with Public Influence, the Implementation Guide for Persons with Public Influence, and the Guide to Combating the Financing of Terrorism for Financial Institutions are the prominent regulations in this context.

External Factors

Other Developments

TSKB IN THE LIGHT OF CLIMATE CHANGE AND CIRCULAR ECONOMY

We are continuing our work on climate change, which is one of our strategic focuses, in all branches. In this context, the share of loans contributing to environment-focused SDGs in our loan portfolio in the total loan portfolio was 60% by the end of 2022. 🟢 In 2022, we have obtained more than USD 750 million in funding through development finance institutions and financial institutions. The climate finance theme was mainly prominent in the said funds. We will continue to support Turkish industrialists in the areas of climate finance, circular economy, and transition to decarbonization with these resources in future periods.

As we were undergoing the application process of Science-Based Targets Initiative (SBT-i) and working on our financed emission targets, we topped off our firm steps in this field by becoming a member of Net-Zero Banking Alliance (NZBA) in 2022. In the upcoming period, we will determine our roadmap and targets in line with our zero emission commitment until 2050 and share our performance transparently with our stakeholders.



See Financial Capital



See Natural Capital

Climate Change and Circular Economy

Climate change, which continues to have an impact in 2022, has not fallen off the top of the world's agenda this year as well. The disasters occurring around the world have once again underlined the extent of the climate crisis we are facing.

The Climate Change 2022, the 6th assessment report of the Intergovernmental Panel on Climate Change (IPCC) published in 2022, revealed that further delays cannot be tolerated, current policies and commitments will cause 2.3-2.5°C of warming, short-term actions cannot eliminate all the effects, even if they reduce losses and damages, and in the long term, temperature increases will continue to threaten food production, water resources, human health, coastal settlements, national economies, and ecosystems. The Report also emphasized that it will not be possible to adapt to these changes, therefore, precise and sharp decisions should be made.

In most of the climate vulnerability dimensions selected by the World Bank, Türkiye was classified as highly vulnerable due to climate factors, population exposure, and socioeconomic factors. According to the Country Climate and Development Report (CCDR) prepared for Türkiye by the World Bank Group and published in June 2022, the carbon intensity of Türkiye's electricity, transport, and agriculture sectors and the energy efficiency of the building sector (residential and non-residential) are lower than the EU average. Türkiye's coal dependency, however, is at a high level. The war in Ukraine and the resulting energy supply disruptions and price increases have made the risks more apparent to countries dependent on fossil fuel imports, such as Türkiye. In addition, the fact that the EU has implemented the Carbon Border Adjustment Mechanism (CBAM) for the manufacturing sector in Türkiye, which has a higher carbon intensity than the EU average, is also on the agenda as another factor that increases the risks faced by the country.

In the Global Risks Report published by the World Economic Forum (WEF), risks arising from current economic, social, environmental, and technological tensions were identified and examined, while areas such as cyber security, space competition, irregular climate transition, and migration pressures were also included in the scope of the research. It was stated that 84% of the experts participating in the Global Risk Perception Survey (GRPS), which forms the basis of the report, have negative opinions about the course of the world, while about 15% believe that the global recovery will accelerate and have more positive opinions. While the research identified the most serious risks as "climate action failure," "extreme weather conditions," and "biodiversity loss," it pointed out that irregular climate transition will divide societies and cause more disruptions and damage in the long term, and therefore irregular transition should be prevented.

Climate change has also been a topic on the agenda of the financial sector and regulatory agencies. The Banking Regulatory and Supervisory Board (BRSA) published the "Sustainable Banking Strategic Plan" in 2022. The Plan aims to;

- Effectively manage climate-related risks and opportunities in order to implement the commitments, plans, and policies made by Türkiye within the scope of the Paris Climate Agreement,
- Establish the financial sector to provide the necessary financing for sustainable investments and projects,
- Ensure compliance with the financial obligations to be imposed by the CBAM in accordance with the "EU Green Deal" and the "Fit for 55,"
- Determine the actions aimed at measuring, analyzing, and managing the physical risks associated with climate change and the risks associated with the transition to a low-carbon economy,
- Ensure that the foreign green finance markets benefited by considering sustainability criteria.

The 27th Climate Change Conference of the Parties (COP) took place in Egypt this year. Türkiye announced the updated National Contribution Statement during the period of COP 27; accordingly, it increased its reduction target from 21% to 41% for 2030 emissions.

TSKB IN THE LIGHT OF SUSTAINABLE FINANCE

In 2022, when we ended with the focus on sustainable banking, 80% of our funding structure and 91% of our loan portfolio were sustainability-linked. 🟢 In addition to the themed funding contracts we signed with development finance institutions, and our long-term stakeholders, we have linked our syndicated loan to 3 different sustainability criteria that are compatible with our strategy.

In line with the SDG-linked loan disbursement target of USD 8 billion by 2030, which we set last year, we will continue to follow international developments in the field of sustainable finance in the upcoming period by increasing our cooperation in this area with innovative products.



See Financial Capital



See Natural Capital

Sustainable Finance

Combating climate change and green growth targets trigger the development of sustainable finance practices. The total issuance in the sustainable bond market, which set a record with USD 1 trillion in 2021, decreased to USD 863.4 billion in 2022. This decline, which was also observed in the conventional bond market, did not change the share of sustainable bond issuance in the total issuances and remained at 5% in 2022. Green bonds, which continue to dominate the sustainable issuance market, had a 56% share with USD 487.1 billion in 2022. Sustainable, social, and sustainability-linked issuances accounted for 19%, 15%, and 9%, respectively, while the share of transition-themed bonds in the transition to a low-carbon economy remained below 1%.

As part of the 1.5°C target of the Paris Climate Agreement, the Net-Zero Banking Alliance (NZBA), which was established by the United Nations Environment Programme Finance Initiative (UNEP-FI) in 2021 with the focus on the goal of aligning its loan and investment portfolio with net zero emission targets by 2050, continued its growth in 2022. The alliance, established with 43 members, has almost tripled the number of its members to 122 in 2022. More than half of its members have set their decarbonization targets for the interim period by November 2022.

Also, the efforts in the preparation of regulatory and framework-defining documents on sustainable finance in Türkiye continued rapidly in 2022. With the “Guide for Green Debt Instrument, Sustainable Debt Instrument, Green Lease Certificate, Sustainable Lease Certificate” published by the CMB in February 2022, it is expected that there will be a further increase in activity in the sustainable finance market in Türkiye.

External Factors

Other Developments

TSKB IN THE LIGHT OF POSITIVE IMPACT APPROACH, SOCIAL OUTLOOK AND SOCIAL CHANGE

The inclusiveness theme, which is one of our focal points, is processed with the support of 2 different working groups, namely social impact and gender equality, under the sustainability management system of our Bank. At the same time, themes of youth employment and management of migration and labor, the importance of which has increased after the recent developments, have become our focal points. In addition to the social criteria embedded in our loan evaluation tool, we have intensified our work with our social expert, whom we employed in 2022, in order to conduct a more in-depth analysis and measure the impact of our entire value creation model, including the social responsibility projects we support excluding loans.

In the upcoming period, we will continue our work in this field and continue to increase the awareness levels of our customers and contribute to their development with action plans.



[See Social Capital](#)

Positive Impact Approach

The focus of financial institutions on creating a positive impact has intensified with the global sustainability movement and this trend has continued in 2022 as well. UNEP-FI has prepared an Impact Protocol to help financial institutions finance SDGs and measure the impact they have. It has updated the “Portfolio Impact Analysis Tool for Banks,” which it has prepared for the measurement of sustainability-oriented impacts, and presented its modular third version. It has also updated the “Impact Radar” document, which is one of the main components of these impact measurement tools, by expanding its social impact areas. These developments indicate that the concept of positive impact will be discussed more for financial institutions in the coming years.

Social Outlook and Social Change

Although the unemployment figure in Türkiye increased to 13.2% during the pandemic period (March 2020 - February 2021) while it was 12.6% in February 2020, it decreased to 10.9% as of May 2022. In October 2022, compared to October 2021, the unemployment rate decreased by 1 point and was recorded as 10.2%. It was stated that the unemployment rate, which was 10.2% in general, was 8.6% for men and 13.3% for women.

In gender equality, which is one of the most prominent issues globally, there is a worldwide expectation of progress, while improvement efforts are also being actively carried out in this context.

When it comes to 2022 employment rates in Türkiye, it is seen that it was 65.6% for men and 30.8% for women, and the total employment rate was 48%.

In addition to women’s increased participation in business life, the necessity to increase efforts on topics such as wage gaps, gender-based prejudices, and women’s access to finance for gender equality in the business world still remains valid.

Strengthening the young population, which became more fragile by the COVID-19 pandemic, raising their employment opportunities, and developing the loans and instruments themed accordingly became critical issues of development.

On the other hand, it is also substantial to develop banking products to manage migration and movements of the workforce, maintain the supply and value chains and prevent possible income losses.

TSKB IN THE LIGHT OF REPORTING TRENDS

In 2022, when there were many important developments in reporting, our Bank continued to provide capacity development with the close follow-up and active feedback participation of the Sustainability Reporting Working Group.

Our Bank took its place among the “Early Adopter” institutions by switching 1 year in advance to the Communication on Progress (CoP) reporting revised by the UN Global Compact.

Our 2021 Integrated Annual Report was awarded the honor award in the “non-traditional integrated annual reports” category by the International Reporting Awards ARC Awards.

Last year, we increased our rating to “A-”, the “leadership” level, in the CDP (Carbon Disclosure Project) Climate Change Program reporting, where the biodiversity, water, and forests topics had also been included.

In the rapidly changing and developing reporting environment, we aim to closely follow the innovations in the upcoming period, reflect them in our reporting activities, and continue to inspire in the field of transparency, which is the impact force of our sector.



[See Natural Capital](#)



[See Social Capital](#)

Reporting Trends

2022 was a year, in which the steps are taken to universalize reporting standards and harmonize them with each other provided important outputs.

The Corporate Sustainability Reporting Directive, in which the European Financial Reporting Advisory Group (EFRAG) shared its recommendations on the development of EU sustainable reporting standards in 2021 and submitted as a proposal, was approved at the end of 2022. The Directive obliges companies and SMEs with certain qualifications to share their activities related to sustainability with stakeholders in a transparent and accountable manner. The concept of double materiality, which is one of the most discussed ESG issues of 2022, was also among the important topics included in the Directive. In this context, companies are expected to report both the financial risks that sustainability-oriented issues will create and the effects that they create on people and the environment through their direct activities.

The organizations that will carry out reporting within the scope of the Directive must also comply with the European Sustainability Reporting Standards (ESRS). The European Commission gave its final approval on November 28 for the adoption of the ESRS, which has been submitted to stakeholders as a draft and for which opinions have been collected for some time. The ESRS, prepared according to the cooperation agreement between EFRAG and GRI, is compatible with GRI in all aspects, although it does not provide any novelty for the companies reporting under GRI.

The initiative was taken by the International Financial Reporting Standards (IFRS) Foundation for the development of inclusive and universal reporting standards at the COP26 summit resulting in the establishment of the International Sustainability Standards Board (ISSB) in 2022. Presenting two draft standards coded S1 and S2 to the public opinion on March 31, 2022, the ISSB aims to make all important decisions about the drafts by February 2023 and to determine the date of finalization of the standards.

The COP15 Biodiversity Conference, which was held between 7-19 December 2022, also made important progress in including the biodiversity title and indicators thereof in the reporting, and the Global Biodiversity Framework was accepted on 19 December 2022. In this respect, the business world is expected to measure and disclose its risks, the impact it creates, and its respect for nature.

One of the important developments of 2022 was the publication of the first beta version of the “Nature-Related Risk & Opportunity Management and Disclosure Framework” by the Taskforce on Nature-related Financial Disclosures (TNFD).

Capitals



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Risks

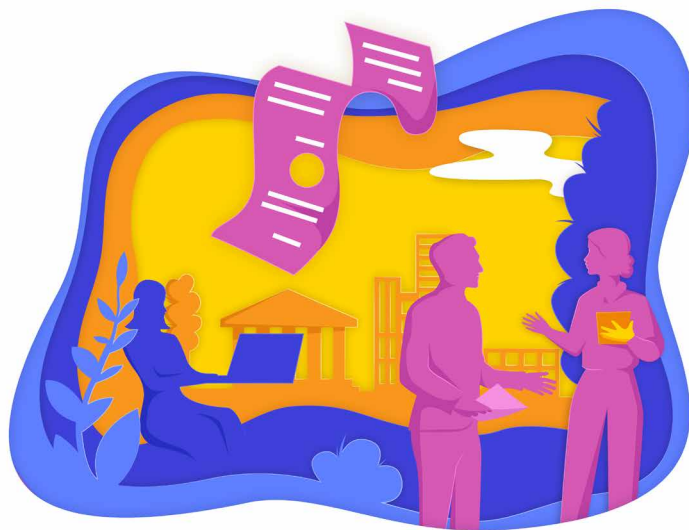
- Credit risk
- Liquidity risk
- Market risk

Opportunities

- Sustainable development
- Transition risks financing
- Circular economy financing
- Inclusion and employment in vulnerable groups
- Increase in climate-themed resources

Associated Material Issues

- Sustainable Financial Performance
- Management of Climate Risks and Opportunities
- Ethics, Compliance with the Laws, and Anti-Corruption
- Cyber Security and Data Privacy
- Digital Transformation and Agility



**All metrics in the financial capital section are on bank-only basis.*

GRI 2-2, 3-3, 201-1, 203-2

2022 Key Indicators*

6.9%

Net Interest Margin

124%

Fees and Commissions Growth

41.1%

Return on Equity

22.4%

Capital Adequacy Ratio

6.6%

Cost/Income Ratio

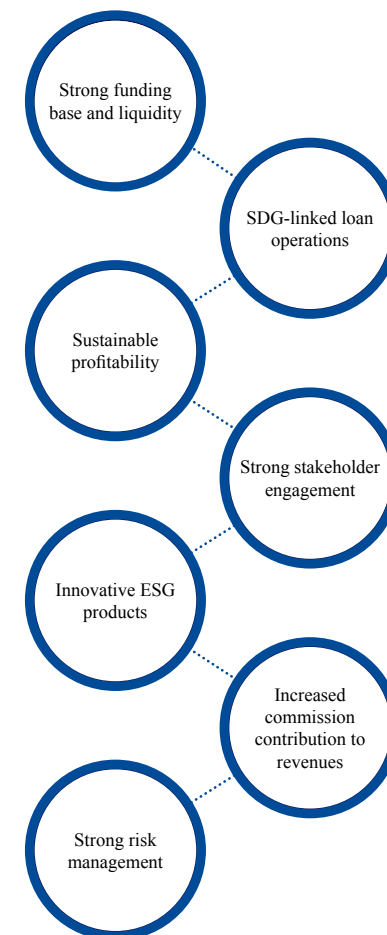
2.9%

NPL Ratio

2022 Target Realizations and 2023 Targets

	Financial Expectations (Solo)	2022 Year-End Guidance (%)	2022 Year-End Results (%)	2023 Year-End Guidance (%)
Growth				
F1	FX Adjusted Loan Growth	Contraction	-6	~5
Profitability				
F2	Net Interest Margin*	>6	6.9	>5
F3	Fees and Commissions Growth	~80	124	~100
F4	Return on Equity**	>40	41.1	~35
Efficiency				
F5	OPEX Growth	Compatible with the CPI	90	~90
F6	Cost / Income Ratio	~7.0	6.6	<13
Solvency***				
F7	Capital Adequacy Ratio	13	17.9	~17,0
F8	Tier I Ratio	12	16.7	~16.0
Asset Quality				
F14	NPL ratio	~3.0	2.9	~2.5
F15	Net Cost of Risk (including currency impact)****	~250 basis points	329 basis points	<100 basis points

* Excluding FX Gains/Losses.
 ** When free provisions set aside during 2022 are adjusted ROE reaches up to 44.7%
 *** Excluding BRSA's temporary measures.
 **** Currency impact adjusted net CoR is around 200 bps.



Capitals

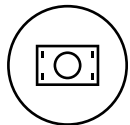
Financial Capital

PURSUANT TO OUR MISSION AND COMMITMENT TO SUPPORT SDGS, WE CONTINUED TO FINANCE PROJECTS THAT HAVE POSITIVE ENVIRONMENTAL AND SOCIAL IMPACTS IN 2022.



37%

Surge in total assets



2 USD billion

Support to the economy provided via loans

HIGHLIGHTS OF 2022

A key player in the development and investment banking

TSKB's total asset size grew by 37.4% on a year-on-year basis, reaching TL 115.6 billion. Ranking 12th in the industry in terms of asset size, the Bank maintains second place among development and investment banks.

Significant improvement recorded in the ESG risk rating

As a result of the improvements we made during the year and the strong ESG performance, our Sustainalytics ESG Risk Rating was determined as 7.9, and our risk category was determined as "negligible risk". As of the date of publication, our Bank, which was ranked first among Turkish Banks, was ranked 12th among international development banks, 15th in the global banking industry, and 60th among about 15 thousand institutions evaluated by Sustainalytics.

Strong liquidity supported by DFI agreements and our renewed syndicated loan

During the year, we signed funding agreements with JBIC, IFC, EBRD, AIIB and AFD in the amount of approximately USD 650 million on the themes of climate finance and gender equality. The syndicated loan in the amount of USD 109 million that we renewed in July was also obtained as linked to the sustainability criteria. Thus, while maintaining our ESG-linked funding ratio in our total funding at 80%, our FX Liquidity coverage ratio was 322%.

SDG focused lending activities

In line with our mission and commitment to supporting SDGs, we continued to finance projects that have a positive environmental and social impact in 2022. In 2022, the support provided by our Bank to the economy through cash and non-cash loans extended during the year amounted to approximately USD 2 billion. USD 24 million of the cash loan grant amounting to USD 1.4 billion was provided through APEX loans. SDGs 1, 7, 8, 9, 12, 13 and 17 were prominent among the SDGs supported through lending activities, while the share of SDG-linked loans reached 91% of total loans. We have completed approximately 30% of our target for SDG-linked loan disbursement of USD 8 billion until 2030, with a loan of 2.2 billion US dollars, which we have extended since 2021.

New loan limits totaling USD 1.9 billion

Our Bank allocated cash and non-cash loan limits of USD 1.9 billion to corporate clients throughout the year and signed new loan agreements worth over USD 600 million.

Medium and long-term loans share at 78%

In line with the vision of TSKB to be the leading bank in Türkiye's sustainable development, we provide medium- and long-term financing to our customers. At the end of 2022, it is seen that 15% of our loan portfolio consists of loans with maturities of less than 1 year and 53% with maturities of 5 years and above. The average loan maturity is about 5 years.

Our Bank, which has a market share of 31% among development and investment banks in long-term loans, gives importance to investment loans due to its mission. As of the end of 2022, the share of investment loans in the total loan portfolio reached 72%, while the share of working capital loans was 22%. The share of APEX loans was 6%.

Strong capital supported by sound asset quality and profitability

Our non-performing loan ratio, which was 2.9% in line with our expectations, and our net profit for the period, which increased by 272% year-on-year, further strengthened our capital adequacy. Excluding the BRSA temporary measures, our capital adequacy ratio was 17.9%.

Contribution of robust investment banking and advisory services

We increased our core banking revenues by 149% in 2022. Successful investment banking and advisory deals continued to support core banking revenues.

Especially our focus on advisory services during the last three years has accelerated in creating a positive impact.

Investment banking and advisory revenues, standing at approximately 60% in total gross commissions, rose by 137% on a year-on-year basis.

Well-established expertise in investment loans

In 2022, we disbursed USD 1.4 billion in cash loans to our clients as part of our Corporate Banking and Project Finance activities. USD 863 million of this amount was disbursed to corporate customers as long-term investment and short & medium term working capital loans. As part of our project financing activities, our Bank disbursed loans of approximately USD 232 million to the projects financed in cooperation with other financial institutions. The amount of APEX loans disbursed in the same period was approximately USD 24 million.

With the new loans extended in 2022, we financed women's employment and projects in developing regions on the axis of inclusion which covers economic and social sustainability themes, as well as investments in the capacity increase in various industries, especially investments in electricity generation and distribution activities. We also focused on the working capital needs of its customers.

In 2023, we anticipate that the investments in climate finance, mainly renewable energy, in addition to inclusivity and circular economy themes, will predominantly have a share in our new loan disbursements.

Our non-performing loan ratio, indicating 2.9% in line with our expectations, and our net profit which reads as TL 4 billion with a YoY increase of 272%, further strengthened our capital adequacy.

Capitals

Financial Capital

THE TOTAL INSTALLED CAPACITY OF 388 PROJECTS THAT WE ARE INVOLVED IN FINANCING IS 8,312 MW, WHICH REPRESENTS 15% OF TÜRKİYE'S TOTAL INSTALLED CAPACITY IN RENEWABLE ENERGY.



12.3 USD billion

The total amount of renewable energy investments in which TSKB was a financier

TSKB and Renewable Energy

The effective and accurate use of renewable energy resources is of key importance in combating climate change and during the transition to a low-carbon economy in Türkiye. Renewable energy resources are key to reducing Türkiye's external dependency on energy.

Electricity generation has the largest share in TSKB's loan portfolio, with 39%. Renewable energy projects account for 91% of the electricity generation portfolio. The share of renewable energy projects in our total portfolio is 35%.

Total installed capacity of renewable energy projects financed by TSKB has reached 8.312 MW.

We have been supporting projects in the field of renewable energy in Türkiye with medium and long-term funds since 2002.

The energy projects financed by TSKB range from hydroelectric power plants to solar, wind, biomass and geothermal power plants.

The total installed capacity of 388 projects that we are involved in financing is 8,312 MW, which represents 15% of Türkiye's total installed capacity in renewable energy.

Considering our Bank's loan portfolio, the energy generation maintained its dominant position as of the end of 2022. In the upcoming period, our Bank will continue to support renewable energy projects which contribute to the integration of domestic energy resources into the economy. As part of the fight against climate change, we monitor the sensitivities of the sectors in our portfolio to climate risks with the Portfolio Heat Map we have prepared by using the TCFD recommendations.

Currently, in addition to initiating the works to update the Portfolio Heat Map, we are also effectively using the Climate Risks Evaluation Tool (CRET) model that we have prepared in order to integrate climate risks in the decision-making mechanism in our committee process. The mentioned model has been developed as a rating tool to measure the level of physical and transition risks in the financed projects. With this model, we aim to detect climate-related risks at an early stage and reduce the negative financial effects of these risks. The development of this model is also considered an important step for the process of integrating climate change-related risks into our loan evaluation, allocation, and monitoring processes by the end of 2023, which is one of the goals described in the TCFD report of our Bank.

99% of the renewable energy projects financed by TSKB are in operation based on quantity and installed capacity.

As of the end of 2022, based on quantity and installed capacity, 99% of the renewable energy projects that we have financed have started generating electricity. The total installed capacity of the projects in operation amounts to 8,245 MW.

The total investment of energy projects financed in Türkiye from 2003 to 2022 amounted to USD 12.3 billion, while the volume of loans committed by TSKB for these projects stood at approximately USD 5 billion.

Rooftop SPP and land SPP investments for internal consumption

Due to the increase in energy prices and the CBAM, which will be launched soon, rooftop SPP and land SPP investments for their internal consumption have recently come to the fore in companies in the manufacturing sector. In this context, we have provided financing for 14 Rooftop SPPs with a total installed capacity of 40 MW and 2 land-type SPP investments with a total installed capacity of 94 MW.

Renewable Energy, Energy, and Resource Efficiency Projects*



94 HPPs ✓

Number of Ongoing Projects: -

3,824 MW

Total Installed Capacity
(3.45 million households)



43 WPPs ✓

Number of Ongoing Projects: 1

2,233 MW

Total Installed Capacity
(3.01 million households)



207 SPPs ✓

Number of Ongoing Projects: 3

1,379 MW**

Total Installed Capacity
(1 million households)

** 1,000 MW is from YEKA SPP project



16 GPPs ✓

Number of Ongoing Projects: -

628 MW

Total Installed Capacity
(1.63 million households)



28 BIOMASS/WASTE ✓

Number of Ongoing Projects: 4

248 MW

Total Installed Capacity
(0.46 million households)



16 LAND/ROOFTOP SPPs ✓

Number of Ongoing Projects: 9

134 MW

Total Installed Capacity



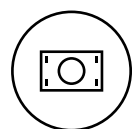
156 PROJECTS Energy and Resource Efficiency

*The number of projects we have financed so far

Capitals

Financial Capital

TSKB HAS DEVELOPED VARIOUS FINANCING MODELS AND WORKED CLOSELY WITH DEVELOPMENT FINANCE INSTITUTIONS TO SUPPORT SMEs SINCE ITS ESTABLISHMENT.



7.8 USD billion

The amount of financing provided directly to the real sector in the last 5 years

Versatile support to SMEs

Since day one, we have stood by the real sector and have strongly demonstrated our support for SMEs, which are the lifeblood of the Turkish economy. Our Bank has developed various financing models to support SMEs and has worked closely with international financial institutions.

Our Bank finances the investments of SMEs in a wide array of fields, including technology upgrading investments, capacity increases, energy efficiency and environmental projects. In addition, the working capital needs of the SMEs are met in accordance with the criteria of the funds that are received from international financial institutions.

The program, which was started with the EBRD aiming to increase and facilitate the financing opportunities of SMEs within the scope of the joint loan financing that has been in force since 2016, has been expanded with a total of EUR 100 million risk-sharing facility agreement signed in 2019. Continuing to cooperate with the EBRD within the scope of joint loan financing in 2022, we aim to diversify these projects and increase the support provided to SMEs in 2023.

With the direct financing agreement and APEX funding agreement signed with IBRD IncA2F in 2018, we continued to support women's participation in the workforce and SMEs in developing regions.

To date, we have entered into cooperation with 30 intermediary institutions within the scope of our APEX loans activities and we have achieved a productive performance with these cooperation.

The share of SMEs in our total loan portfolio is 16%. As of the end of 2022, the loans we have extended to SMEs through the APEX financing model account for 6% of the total portfolio.

Contribution to employment

We disbursed a total of USD 126 million to 335 SMEs in the last three years through wholesale banking loans. This created 370 new jobs in the same period.

In 2022, our Bank has started theme studies to support Green Transformation in SMEs in parallel with its mission. It is aimed to create a system where SMEs can access credit in an agile way. Thus, the SMEs having this transformation will also be able to access the funds provided by international development organizations more easily.

Focus on Inclusiveness

In December 2016, we signed a loan agreement with the French Development Agency (AFD - L'Agence Française de Développement), adding occupational health and safety and women's empowerment to our funding themes. These AFD funds were provided to the companies operating in Türkiye which invested in occupational health and safety, as well as the companies which respected gender equality in the workplace and encouraged women's participation in the workforce.

In addition to women's employment, we continued to support enterprises operating in developing regions in 2022, with a USD 400 million loan granted by the World Bank in 2018.

In 2019, we signed EUR 85 million loan agreement with the AFD as part of our ongoing cooperation since 2016. With this agreement, we continue to finance the investments of companies that support equal opportunity in the workplace and women's employment.

In 2022, we signed a new loan agreement with the World Bank Group member International Finance Corporation (IFC) for USD 100 million to provide financing to companies in Türkiye that support women's participation in employment and conserve gender equality in the working environment, as well as to disseminate gender equality practices in companies. With this loan, we have strengthened our cooperation with IFC, with whom we have been partnering for many years, especially on climate finance, on a social theme for the first time. In this context, we continue to take concrete steps towards equal representation of women at production and management levels by contributing to the inclusive transformation of private sector companies.

We also develop action plans for companies to self-evaluate and improve their existing practices in terms of equal opportunity. These action plans include supporting the implementation of equal opportunity for employees from the moment of their recruitment; the revision of human resources, ethics, and disciplinary policies; improvement to or the creation of breastfeeding rooms within companies, reduction or elimination of the gender pay gap and support to train on gender equality. As of the end of 2022, there was a 25% improvement in working conditions in companies thanks to these action plans.

USD 7.8 billion of funds to the real sector

Throughout the year, our Bank focused on meeting the cash and non-cash loan needs of its clients in the renewable energy, iron & steel, chemicals, plastics, packaging and textiles industries. We resolutely maintain our high-quality contribution to the sustainable growth of the Turkish economy. We have provided direct financing to the real sector in the last 5 years, amounting to a total of USD 7.8 billion.

Considering the USD 1.9 billion disbursed to SMEs through APEX loans, we provided a total of USD 7.8 billion in financing to the real sector over the last 5-year period.

Support with non-cash loans

We mediate foreign trade transactions with various products. In 2022, the total amount of non-cash loans disbursed to customers was approximately USD 600 million. It is planned to increase the number and variety of non-cash loan transactions mediated in 2023 and achieve a 100% increase in commission income in this context.

Throughout the year, our Bank focused on meeting the cash and non-cash loan needs of its clients in the renewable energy, iron & steel, chemicals, plastics, packaging and textiles industries on the back of its sustainability strategy

Capitals

Financial Capital

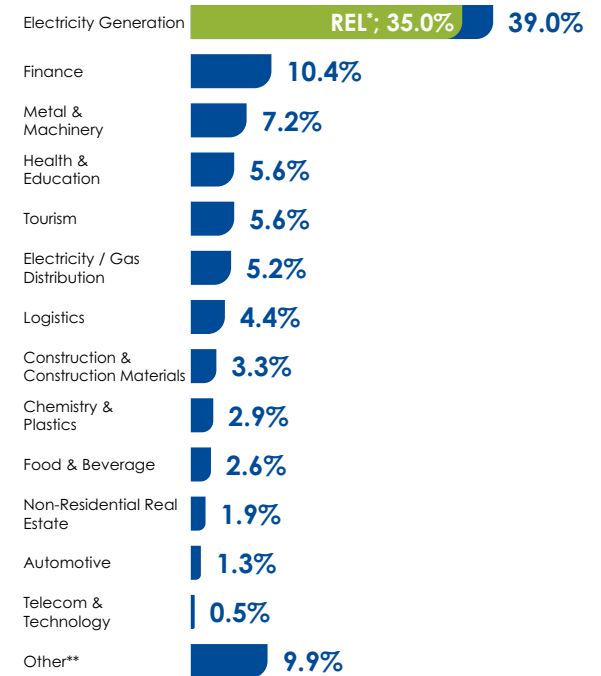
WE WILL CONTINUE OUR CONTRIBUTIONS TO THE INVESTMENT CULTURE WITH CLIMATE, ENVIRONMENT-FRIENDLY, AND SOCIAL IMPACT THEMES IN 2023 WITHIN THE FRAMEWORK OF THE SDG LOAN MODEL DEVELOPED IN LINE WITH OUR SUSTAINABILITY AND INCLUSIVENESS VISION.

STRONG SUPPORT FOR TÜRKİYE'S DEVELOPMENT IN 2023

In line with the Sustainable Development Goals, TSKB continued in 2022 to provide financing for the projects of companies that support women's employment, target energy and resource efficiency, reduce the current account deficit, and carry out export-oriented production activities, in addition to renewable energy. In addition, the Bank plans to provide financing support for rooftop SPP, land SPP, and industrial SPP investments for the domestic consumption of its customers in the manufacturing sector in the upcoming period in parallel with the increase in energy prices and CBAM. Under the SDG Loan Model, developed in line with our vision of sustainability and inclusion, we will continue our contribution to an investment culture that has climate, eco-friendly, and social impact in 2023.

Within the scope of the European green deal and circular economy, it is expected that projects within the scope of scrap recycling will increase in the plastic, paper, iron, and steel sectors, not limited to the aluminum, wood and forest products, and cement sectors. Anticipating that there will be potential in circular economy in the next 3 years, we are taking steps with the aim of shaping our themes. Within this scope, we consolidate our cooperation with all stakeholders, including public enterprises.

Breakdown of TSKB's Loan Portfolio by Sectors in 2022



* Renewable Energy Loans

** Textile, Retail, and Others

ALLOCATION AND MONITORING ACTIVITIES OF LOAN PORTFOLIO

The companies and projects to be provided loans at TSKB are selected with a comprehensive and prudent perspective of allocation and portfolio monitoring functions, contributing to the sustainability of the high quality of the loan portfolio. At TSKB, projects undergo a robust evaluation based on impartial, comprehensive, and in-depth reviews by financial analysts, experts in the industry, and engineers.

As most of the loans provided for investments and working capital financing of companies consist of foreign currency loans, it is important to create income and funds in foreign currency. A large part of TSKB's loan portfolio consists of project loans, which will maintain their strategic importance in the future as well. In these projects, the existence of guaranteed prices in foreign currency and additional incentives for domestic elements create a natural hedge and raise the efficiency and solvency of the projects to high levels. In the assessment of the projects outside this scope, we utilize the electricity price modeling designed by us. In addition, the majority of companies outside the energy industry in the portfolio consist of companies that can manage exchange rate risk because they are exporters or can generate income in foreign currency. To provide input and insight into all loan activities, private sector reporting, exchange risk measurements, debt service coverage, and related warranty monitoring, rating scenarios, and stress analyses including climate risks are performed.

Having maintained its prudent approach in 2022 as well, our Bank held Tier 2 and Tier 3 loan ratios of 12.3% and 2.9% respectively and continued to strengthen its coverage ratios. Our Bank which has the highest coverage ratios in the industry maintained a coverage ratio of Stage 1 loans in 2022 at 1% while boosting that of Stage 2 and Stage 3 loan ratios to 26.9% and 92%, respectively. With the additional free provisions of TL 460 million, the Bank allocated within the year; the total free provisions stock reached TL 900 million.

As of the end of 2022, the restructuring ratio of Stage 3 loans corresponded to 93% whereas that of Stage 2 and Stage 3 loans was 67%.

We will maintain our robust asset quality in 2023 in which we don't expect any significant change in loan classifications.

A large part of our Bank's loan portfolio consists of project loans, which will maintain their strategic importance in the future as well.

Capitals

Financial Capital

IN 2022, AMOUNT OF FUNDING WE RECEIVED FROM DEVELOPMENT FINANCE INSTITUTIONS AND FINANCIAL INSTITUTIONS EXCEEDED USD 750 MILLION.



650 USD million

The amount of total funding agreements with DFIs in 2022

Close cooperation with development finance institutions

Funding through development finance institutions (DFI) accounts for 67% of the funding structure of TSKB, a well-known Turkish bank in the international financial markets. 80% of these funds are obtained under the guarantee of the Ministry of the Treasury and Finance of the Republic of Türkiye. We work in close cooperation with development finance institutions, including the World Bank (IBRD), the European Investment Bank (EIB), the German Development Bank (KfW), the Asian Infrastructure Investment Bank (AIIB), the Islamic Development Bank (ISDB), the French Development Agency (AFD), the China Development Bank (CDB), the Council of Europe Development Bank (CEB), the Japan Bank for International Cooperation (JBIC), the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and the Austrian Development Bank (OeEB).

JBIC GREEN 2 Loan

As the continuation of the “JBIC GREEN” loan signed between JBIC and TSKB in 2015, we signed the “JBIC GREEN 2” loan agreement for USD 220 million on February 10, 2022, in order to provide financing for renewable energy and energy efficiency investments as well as high-tech projects aimed at reducing greenhouse gas emissions throughout Türkiye.

IFC Women's Empowerment Loan

On March 8, 2022, International Women's Day, we signed a new loan agreement with the World Bank Group member International Finance Corporation (IFC) for USD 100 million to provide financing to companies in Türkiye that support women's participation in employment and conserve gender equality in the working environment, as well as to disseminate gender equality practices in companies. With this loan, we have strengthened

our cooperation with IFC, with whom we have been partnering for many years, especially with a climate finance focus, on a social theme for the first time, on the topics of gender equality and empowerment of women's employment.

EBRD Green Economy Financing Loan

We signed a EUR 53.5 million “GEFF-Green Economy Financing Facility” loan agreement with the EBRD to provide financing for projects including technologies that support the green economy. Our Bank is the first institution that obtained financing under this facility.

AIIB Sustainable Energy and Infrastructure Loan, Phase 2

In 2018, we obtained USD 200 million loan from the Asian Infrastructure Investment Bank (AIIB) as a continuation of the Sustainable Energy and Infrastructure loan. Provided under the repayment guarantee of the Ministry of Treasury and Finance of the Republic of Türkiye, the funds will be used to finance the investments of private sector companies throughout Türkiye in renewable energy, energy efficiency, and mitigation and adaptation due to climate change, as well as industries that support them.

AFD – Circular Economy Loan

On December 27, 2022, we signed EUR 80 million loan agreement with the French Development Agency (AFD) in order to provide financing for investments that serve the circular economy in Türkiye and investments that will be made by companies aiming to improve the circular economy practices.

This agreement features the first circular economy loan in our country, which was procured from DFIs in a way that was defined clearly.

Long Term Funding Provided by TSKB from 2017 to 2022

Loan	Amount	Maturity
2017		
TSKB Sustainable Subordinated Bonds	USD 300 million	10 years*
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
2018		
Eurobond	USD 350 million	5 years
AIIB - Sustainable Energy and Infrastructure Loan	USD 200 million	15 years
IBRD - Inclusive Access to Finance Project Loan	USD 400 million	29 years
2019		
CDB - Energy, Manufacturing Industry, Infrastructure, Healthcare, Education and SMEs Loan	USD 200 million	8 years
AFD - Women's Empowerment Loan	EUR 85 million	10 years
2020		
Eurobond	USD 400 million	5 years
AIIB - Covid-19 Loan	USD 200 million	4 years
2021		
Sustainable Eurobond	USD 350 million	5 years
IBRD - Geothermal Development Project – Supplementary Financing Loan	USD 150 million	28 years
2022		
JBIC GREEN 2 Loan	USD 220 million	12 year
IFC Women's Empowerment	USD 100 million	3 years
EBRD GEFF	EUR 53.5 million	3 years
AIIB - Sustainable Energy and Infrastructure Loan, Phase 2	USD 200 million	15 years
AFD – Circular Economy Loan	EUR 80 million	12 year

* Call option was exercised in the 5th year and the transaction was completed as of March.

Capitals

Financial Capital

TSKB APEX Loans Key Indicators

Program Name	Year	Agreement Amount	Number of Beneficiary Companies (As of the end of 2022)	Current Status of the Program
SMEs (Women's Employment and Prioritized Regions)				
Inclusive Access to Finance Project Loan (IncA2F)	2018	USD 200 million	448	Ongoing
Support to SMEs and Export				
Second Disbursement of Innovative Access to Finance Project Loan (IA2F)	2018	USD 250 million	49	Ongoing
Innovative Access to Finance Project Loan (IA2F)	2014	USD 250 million	231	Completed
Support to Export				
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
SMEs				
SMEs TSKB FUNDING *	2017	EUR 150 million	340	Completed
CEB V APEX	2016	EUR 100 million	960	Completed
CEB IV APEX	2013	EUR 100 million	416	Completed
CEB 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

* Re-disbursement of repaid loans

** EUR 90.9 million of the agreed amount is disbursed as an APEX loan.

Strong relations with international financial institutions

In 2022, we maintained close contact with domestic and foreign banks in line with our resource diversification and sustainability-oriented product development goals and focused on protecting and diversifying our relations and collaborations. We also maintained intensive and effective communication with rating agencies.

Throughout the year, we have continued to effectively conduct relations and communication with international banks to provide support to the foreign trade and correspondent banking needs of our customers. As a consequence of macro and geopolitical developments, we have continued regular contact to protect our Bank's existing limits, strengthen its relations, and establish limits with new banks.

Subordinated Funding

In the context of raising the reputation of our Bank in international markets and keeping our promise to the investors, in March 2022, we decided to exercise the call option of the Sustainable Subordinated Bond, which had an early issuer call option.

Following that, by signing the AT-1 agreement with İşbank in the loan format, which is the most suitable option among the subordinated capital products we work with as an alternative, amounting to USD 200 million, we renewed the subordinated capital product, which was redeemed as of the 1st quarter, in the same quarter.

Eurobond Market

In 2022, TSKB was not active in the Eurobond market in parallel with the Turkish Banking industry. However, we kept our regular communication with investors during the year. After the early redemption in the first quarter of the year, the Eurobond issuances account for 22% of our Bank's resources (excluding shareholders' equity) by the end of 2022, and their size is USD 1.1 billion.

Syndicated loan linked to sustainability KPIs

We renewed our Bank's syndicated loan indexed to sustainability criteria, which was to be redeemed in July, with a 65% roll-over rate based on the same criteria this year as well. The syndicated loan agreement consisting of two different tranches of EUR 90 million and USD 17.5 million with a total amount of USD 109 million was signed with the participation of eight banks from eight different countries.

We have linked the syndicated loan to 3 different sustainability criteria this year in accordance with our bank's long-term strategy and have successfully completed all our targets set for 2022 as of the end of the year.

Investment Banking Activities

We promote the growth and development of companies with our efforts in Corporate Finance. We offer our clients fully fledged advisory and intermediary services on initial public offerings preparation and brokerage, debt instrument issuances (sukuk, bonds, etc.), mergers & acquisitions, asset purchase & sale, and privatization.

2022 was a productive year for IPOs. A public offering size of approximately TL 19.4 billion was reached in 40 public offerings. Foreign investors continued to exit the stock market in 2022 as well, and the foreign shares in Borsa Istanbul remained in the band of 30-32% with a downtrend. It was an active period for public offerings due to the increased risk appetite of domestic investors and 2.5 million additional individual investors starting to trade stocks as of the beginning of 2020. Domestic investor interest was a major driving force for Borsa Istanbul and played a leading role both in the increase of the index and the recent revival of the IPO market.

In 2022, we successfully carried out the IPOs of Smart Güneş Teknolojileri A.Ş., Suwen Tekstil A.Ş., and Kimteks Poliüretan A.Ş. The IPO of Güneş Teknolojileri A.Ş. with a size of TL 535 million was among the most successful IPOs of the year in terms of receiving the highest demand and successful stock performance. The IPO of Suwen Tekstil A.Ş. has been carried out with a size of TL 425.5 million and become the first example of venture capital companies to sell shares through Borsa Istanbul in 2022. The IPO of Kimteks Poliüretan A.Ş. has been carried out with a size of TL 957 million, and it has been the largest IPO of the year during the period it took place. It has been recorded as the 3rd largest IPO of the year at the end of 2022. In 2023, as part of the continuing appetite for IPOs, we aim to carry out IPOs of significant size.

Capitals

Financial Capital

AS A KEY PLAYER IN THE MONEY AND CAPITAL MARKETS, WE EFFECTIVELY MANAGED OUR BALANCE SHEET DESPITE THE UNCERTAIN AND VOLATILE ENVIRONMENT OF 2022.



5

Debt instrument issuances



3

IPOs

We have given advisory for 5 real sector debt instrument issuances in 2022. Despite the fluctuations in the debt capital market and investor concerns, we concluded a successful year. We are glad to be ranked first among all intermediary financial institutions for real sector issuances. In 2023, we will continue to be a major player in the market of debt instruments with both bond and lease certificate issuances and introduce new players to the capital markets.

In parallel with the economic conditions, the numbers and volumes of merger and acquisition advisory services continued to decrease in Türkiye in 2022 as it was in 2021.

On the other hand, our Corporate Finance team was among the most successful mergers & acquisitions advisors in the market in 2022, as it was in 2021. In 2022, we carried out two transactions as a sell-side advisor t in the sale of Kuyucak JES owned by Turcas to Albioma and as a sector team in the IPO of Smart Güneş Teknolojileri, which operates in the field of installation services of Solar Power Plants and module production.

With the leverage effect created by the transactions completed in 2022, we will continue our successful operations in 2023. We will continue to maintain our position among the leading institutions in our sector.

Proactive Treasury Management

As a significant player in the money and capital markets, we managed our balance sheet successfully in the uncertain and volatile environment of 2022. On the other hand, we offered derivatives to our clients to enable them to hedge against financial risks.

In 2022, risk management activities continued to be our focal point. Through effective management of liquidity and monitoring of the market risk, we inhibited volatility from affecting our balance sheet adversely. We will carry on our proactive balance sheet management with a focus on assets & liabilities optimization by closely tracking market developments and properly making use of the risks and opportunities in 2023.

A long-term business and solution partner with advisory services

With advisory solutions powered by our banking expertise, we provide value-added services and solutions needed by the business world and investors.

Under TSKB Advisory Services, we manage our knowledge and experience in economic, financial and engineering areas effectively and with high quality on the axis of advisory. In addition, with the aim of transforming this experience into economic benefits and diversifying the revenues, we provide services with its three departments under one roof: Advisory Services Sales, Economic Research, Financial and Technical Consulting. Through our advisory services, we plan to become a long-term business and solution partner for our clients in line with our strategic targets.

You can access the details about the advisory services included in our main activities from the Intellectual and Manufactured Capital section.

YATIRIM FINANSMAN

Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman) was Türkiye's first capital market institution. The company was established on October 15, 1976 under the leadership of TSKB and İş Bank and with the participation of 13 major banks.

Value-added investment practices

As a "Broadly Authorized Brokerage Institution," Yatırım Finansman offers individual and institutional investors at home and abroad fast and reliable access to the capital markets via its branch network, online services and mobile applications.

The YFTRADE, YFTRADEMOBILE, and YFTRADEINT trading platforms as well as the YF Face-to-Face application, which is activated for online account opening, developed by Yatırım Finansman enable investors to add value to their savings, regardless of the time and space, by carrying out reliable transactions via laptops, desktop computers or next-generation smart devices without the necessity of a broker in domestic and/or foreign markets.

The Company has been involved in various investment banking projects with TSKB and continues to offer appropriate financial instruments for its clients and add value to their investments with its employees, who make the most of their knowledge, experience and competencies.

A Hybrid growth model with digitalization

The Company continues to make the essential infrastructure investments to digitize customer acquisition with "Distance Contracts," which are expected to be implemented in the capital markets industry next year. In addition, it aims to increase its market share through its "financial inclusion" strategy.

In addition to its investments in digital technologies, the Company took important steps in the field of physical accessibility in 2022 and increased the number of service points in Türkiye's important centers to 11 with its Denizli Branch, which started to operate in December 2022. In 2023, it aims to continue its investments in branching and to create a hybrid growth model with digitalization.

In 2023, Yatırım Finansman will continue to support its customers in guiding their investments with different products and instruments, especially in the equity and futures markets, under asset management.

Yatırım Finansman aims to increase the number of customers by investing in online channels in 2023 with strategies that make a difference in the sector to expand its customer base within the scope of the "Customer-Centered Transformation" project initiated in 2022.

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Capitals

Financial Capital

IN LINE WITH THE DEVELOPING TECHNOLOGY AND THE REQUIREMENTS OF MARKET INNOVATIONS, YATIRIM FİNANSMAN INTEGRATES ADVANCED TECHNOLOGY, PARTICULARLY YF.COM.TR WEBSITE AND YFTRADEMOBILE APPLICATION, INTO ITS PRODUCTS AND SERVICES TO MEET USERS' NEEDS.

Collaborations that raise awareness of financial literacy

Yatırım Finansman continues its cooperation with YUKADEMY in 2022 in order to increase financial literacy for investors in the capital markets and raise awareness of investors. In this context, it aims to add value to its investors with 6 online seminars, each of which is 8 hours long, the main sponsorship of 3 different Finance Camp events, 16 city seminars held throughout the year, and video content that will contribute to financial literacy under the leadership of Prof. Dr. Yusuf Kaderli on social media.

Full support for women's employment

Yatırım Finansman believes that women's employment is an important leverage for economic development. Accordingly, the Company supports a stronger presence of women in the business world and carries out many projects for gender equality within the organization. The Company received the KAGIDER Equal Opportunity Certificate (FEM) and the ESCARUS Gender Equality Program Certificate (CEPS) in 2020, proving its sensitivity to gender equality.

The most preferred brokerage company that shapes the industry

In 2022, Yatırım Finansman achieved its goals of providing a satisfactory return to both its investors and stakeholders as per the principle of "Responsible Profitability."

Yatırım Finansman, in which TSKB holds a 95.8% stake, has 11 service points across Türkiye, equity of TL 233.7 million, and customer assets exceeding TL 11.8 billion in 2021. Thanks to all these features, the company distinguishes itself in the market as one of the most preferred and leading brokerage houses that shape the industry.

TSKB REIT

Aiming to create an efficient real estate portfolio

Established in 2006, TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB REIT) is a real estate investment company aiming to create and develop an efficient real estate portfolio.

TSKB REIT, in which TSKB holds an 88.7% stake, is powered by the Bank's 72 years of corporate know-how and experience. As a capital market institution, TSKB REIT can invest in real estate, real estate projects, real estate-based rights and capital market instruments. The Company is also able to establish ordinary partnerships to realize specific projects and engage in other activities permitted by the relevant communiqué of the CMB.

Consistent, transparent, quality, customer-oriented values

With its core values of consistency, transparency, quality, social responsibility, client orientation and teamwork, TSKB REIT bases its investment strategy on growth through project development, sustainability and risk management. Established with TL 10 million of the original capital, the Company managed to increase its capital to TL 650 million in the third quarter of 2021. As of December 31, 2022, the asset size of TSKB REIT was TL 1.8 billion with the rentable area under its management amounting to approximately 65,000 m².

As of the end of 2022, the TSKB REIT real estate portfolio includes the Pendorya Shopping Center located on the E-5 Highway in Pendik, Istanbul and opened on December 17, 2009 with an enclosed area of approximately 80,648 m² and a rentable area of 30,573 m²; two office blocks with an enclosed area of 17,827 m² in Fındıklı, Istanbul; the Tahir Inn in Karaköy, Istanbul; and the Divan Adana Hotel (opened in September 2015) and half of the shares of its independent areas in Adana city center.

Activities to increase the rental income and diversify the portfolio

TSKB REIT's investment strategies include increasing the existing rental income and diversifying the portfolio. Accordingly, the Company will maintain its efforts to increase the occupancy rate and rental income of Pendorya AVM in 2023. Similarly, it also aims to increase its profitability by using its competitive advantage in the region where Divan Adana Hotel is located.

TSKB REIT and capital markets

Subject to the capital market legislation, TSKB REIT aims to contribute to the establishment of real estate investments in the capital markets as a liquid and solid investment alternative. TSKB REIT's shares, which have been publicly traded since April 2010, are currently traded on Borsa Istanbul Stars.

TSKB REAL ESTATE APPRAISAL COMPANY

TSKB Gayrimenkul Değerleme A.Ş. focuses on maintaining and developing its know-how and competencies, cooperating with leading international organizations, following the innovations in its field, and preserving its pioneering identity.

The company's primary goal is to offer its clients a global perspective on appraisal standards. TSKB Real Estate Appraisal Company has carried out appraisal activities in 23 different countries so far.

Representing a deep-rooted experience and expertise in the appraisal sector, TSKB Real Estate Appraisal has a wide service network with branches in all geographical regions.

TSKB Real Estate Appraisal Company prioritizes a strategic, innovation-oriented and sustainable response to the structural transformation of the real estate industry and changing user preferences.

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Capitals

Financial Capital

ESCARUS WAS ESTABLISHED TO PROVIDE CONSULTANCY SERVICES BY DEVELOPING SUSTAINABILITY SOLUTIONS WITH ITS EXPERIENCED AND PROFESSIONAL TEAM AND TO INTEGRATE INTERNATIONALLY ACCEPTED ENVIRONMENTAL AND SUSTAINABLE APPROACHES INTO THE TURKISH BUSINESS WORLD.

ESCARUS

Innovative projects in Türkiye and abroad

Escarus (TSKB Sürdürülebilirlik Danışmanlığı A.Ş.), which is a subsidiary of our bank began its operations in April 2011, was established to provide advisory services by developing sustainability solutions with its experienced and professional staff and integrating internationally accepted environmental and sustainable approaches into the Turkish business world.

Aiming to become a leading consultancy company in the field of sustainable development with its specialized staff with different disciplinary and sector experience and high technical competencies, Escarus currently conducts its activities under 3 main segments:

- Strategic Sustainability
- Operational Sustainability
- Research, Reporting and Training

Escarus implements innovative projects in different sectors both at home and abroad, especially in Türkiye and its nearby geography. Escarus applies high-value-added advisory solutions that support sustainable development, especially in the fields of energy, finance, construction and manufacturing, and increase technical and commercial efficiency under

the mentioned segments. Escarus, which has a strong technical and financial advisory team in sustainability, has been designing and implementing high-value-added advisory solutions in areas such as the establishment of sustainability management systems, analysis and management of climate risks, sustainable finance, resource-energy efficiency, evaluation and monitoring of technical and financial feasibility, and gender equality since its establishment. In addition, it conducts research and advisory activities on special themes such as European Green Deal, carbon markets, and Borsa Istanbul Sustainability Index. Beyond its “advisory” role, ESCARUS continues to prove itself with robust performance in different areas through its “guiding” approach in the implementation phase of projects.

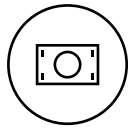
Escarus does not content itself with corporations of the business world and conducts inclusive and comprehensive awareness studies and workshops in collaboration with non-governmental organizations, universities and public institutions to establish a sustainability-oriented approach in all segments of society.

It continues its successful journey in our country and international markets with the projects it has carried out for public and private sector customers in its portfolio.

İş Finansal Kiralama / İş Girişim and İş Faktoring

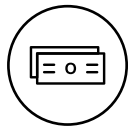
Company	Sector	Capital (TL million)	TSKB's Share (%)	Website
İş Finansal Kiralama A.Ş.	Finance	695.3	29.46	www.isleasing.com.tr
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	74.7	16.67	www.isgirisim.com.tr
İş Faktoring A.Ş.	Finance	150	21.75	www.isfaktoring.com.tr

IN 2022, OUR BANK'S STOCKS WERE TRADED ON BORSA ISTANBUL WITH AN AVERAGE VOLUME OF 171 MILLION LOTS AND CLOSED THE YEAR WITH A MARKET CAPITALIZATION OF TL 7.4 BILLION (USD 438 MILLION).



7.4 TL billion

Market capitalization as of the 2022 year-end



171 million lots

Average daily volume

OUR MARKET VALUE IS TL 7.4 BILLION.

Our Bank, which contributed significantly to the formation of the capital markets in Türkiye, went public in 1986. TSKB's shares are traded on the BIST 50 on the Star Market (Yıldız Pazar) under the "TSKB" ticker. TSKB's shares maintain their position in the BIST Corporate Governance and BIST Sustainability Index. In addition, our stock was included in the BIST Sustainability 25 Index launched by BIST in 2022. In 2022, our Bank's stocks were traded on Borsa İstanbul with an average volume of 171 million lots and closed the year with a market value of TL 7.4 billion (USD 438 million). On an annual basis, it showed a performance parallel to the BIST-100 and the Bank Index.

During the year, we continued to hold informative teleconferences for investors and analysts following the announcement of the financial statements in each quarter. In addition, we held meetings with domestic and foreign investors as in previous years to answer verbal and written information requests based on our transparency and accountability principles.

In 2023, we will continue our efforts to increase contact with domestic and foreign investors, including ESG and sustainability investors, as part of our investor relations activities.

	2020	2021	2022
TSKB Closing Share Price (TL)	1.75	1.44	4.37
Change (%)**	47.1	17.5	203.5
BIST Banking Index	1,558	1,596	5,028
Change (%)**	-2.7	2.4	215.1
BIST 100 Index	1,477	1,858	5,509
Change (%)**	29.1	25.8	196.6
Relative to BIST Banking Index (%)	51.2	-19.5	-3.7
Relative to BIST 100 Index (%)	14	-34.5	2.3

Source: Fınnet

* 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

Capitals

Financial Capital

THE FEE AND COMMISSION REVENUES OF OUR BANK, WHICH IS AN IMPORTANT ACTOR IN THE CAPITAL MARKETS AND DEVELOPS ITS ADVISORY ACTIVITIES PRODUCT RANGE YEAR-BY-YEAR, INCREASED BY 124% IN 2022 DUE TO THE INCREASE IN ITS INVESTMENT BANKING REVENUES.



4.1 TL billion

Net profit

ASSESSMENT OF FINANCIAL STATUS, PROFITABILITY AND SOLVENCY, AND FINANCIAL PROJECTIONS 2022

In 2022, within the scope of the liraization strategy implemented by public authorities, the Bank managed the balance sheet effectively by adapting quickly to an era in which the TL credit and bond markets were significantly affected, and pricing practices were transformed by the macroprudential measures introduced. The asset size of our Bank increased by 37.4% to TL 115.6 billion in 2022. The asset size of our Bank is USD 6.2 billion as of the end of 2022.

20.6% of TSKB's assets are in Turkish Lira (TL) and 79.4% in FX. The ratio of our Bank's interest-earning assets to its total assets is 95.8%.

In 2022, we extended a total of USD 1.4 billion in cash loans with long- and short-maturity under Corporate Banking, Project Finance and APEX Banking activities. In parallel with the funding structure of our Bank, 90.5% of the loans are FX-denominated. The cash loan portfolio, which increased by 25.6% reaching TL 80.3 billion in 2022, contracted by 6.0% on a foreign currency adjusted basis. The share of gross loans in total assets was 69.5% at the end of 2022.

69.5% of our Bank's loans consist of investment loans, while 20.1% working capital loans. The remaining part is the loans disbursed to the financial sector. With respect to currency distribution of loans, including foreign currency indexed loans, 55% are in USD, 35% in Euro, and 10% in TL. The share of SDG- linked loans in the total loan portfolio is 91%, while the share of loans linked to climate and environment-focused SDGs is 60%.

Investments in electricity generation stood out with a 22% share in loans extended in 2022. Electricity generation was followed by the metal & machinery sector with 18% and the logistics sector with 11%. The breakdown of the loan portfolio by sector as of the end of the year shows that 39% consists of loans extended to the electricity generation and 10% to the finance sector. They are followed by the electricity-gas distribution, tourism, metal and machinery, health and education, construction, logistics, chemistry and plastic sectors, which have a share of 3% to 7%.

The share of non-performing loans in total loans, which was recorded at the level of 3.2% at the end of 2021, stood at 2.9% at the end of 2022 with the collections from nonperforming loans and the growth of loans on TL basis. The ratio of Stage 2 loans to the total portfolio was 12.3%. Maintaining our prudent approach, we increased the coverage ratio from 18.7% to 26.91% at the end of 2022 for Stage 2 loans and from 53.9% to 91.97% for Stage 3 loans compared to previous year. With the increase in the coverage ratios, the net cost of risk pointed to 329 basis points.

The total size of the securities portfolio, following loans in terms of share in assets with 20.2%, grew year-on-year by 85.3% to 23.4 billion TL. As of the end of the year, 41% of the securities portfolio is in TL. Within this section, the ratio of securities whose fair value difference is reflected in other comprehensive income is 46.4%, and the ratio of securities measured by amortized cost is 53.6%. In the comparison of the beginning and the end of the year, the rate of CPI-linkers in the TL portfolio increased from 58% to 69%. The average maturity of the portfolio, which is almost entirely financed by free equity, is 3.4 years.

In line with the asset composition, 86.8% of the liabilities of our balance sheet consists of FX liabilities. Almost all of these loans consist of medium and long-term funds obtained from abroad in foreign currency. 53.2% of the loans were obtained with the guarantee of the Turkish Ministry of Treasury and Finance.

With effective assets-liabilities management, which takes into account our variable weighted borrowing and placement structure and the fact that the maturity structure of our funds is longer than the placements, which differentiate us from the banking sector, the interest and liquidity position is managed in such a way as to meet the minimum determined legal rates.

In the Bank's income statement, the net interest income increased by 153.7% to approximately TL 6.4 billion in 2022. Due to the changes in the USD/TL exchange rate and inflation data, the net interest margin was realized as 6.9% in 2022. The rate excluding CPI-indexed assets, in turn, was 3.9%.

The fee and commission revenues of our Bank, which is an important actor in the capital markets and develops its advisory activities product range year-by-year, increased by 124% in 2022 thanks to the increase in its investment banking revenues.

On the other hand, the total personnel and other operating expenses increased by 91.6% to TL 504.8 million. The cost / income ratio, on the other hand, decreased from 8.4% to 6.6% due to the effect of the increase in interest income of CPI-indexed securities as a result of inflation that exceeded expectations.

The total amount of donations and aid made during the year amounted to TL 836 thousand. The total expenditures we made within the framework of social responsibility projects amounted to TL 825 thousand. Profit before provisions and taxes for 2022 increased by 149.1% to TL 7.1 billion, and net profit for the period increased by 272.4% to TL 4.1 billion. We achieved a 41.1% return on equity in 2022.

Our shareholders' equity increased year-on-year by 54.3% to TL 12.7 billion, while its share in total liabilities occurred by 11.1% due to the rise in exchange rates. The capital adequacy ratio was 22.4% on a bank-only basis and 22.4% on a consolidated basis as of the end of 2022, and Tier 1 ratio was 21.3% and 21.3% on a consolidated basis (The rates were 17.9%, 17.9%, 16.7%, and 16.8%, respectively, excluding the BRSA temporary measures). The free capital of our Bank was TL 10.8 billion and its ratio to total assets was 9.4% as of the end of 2022. All of the free capital is utilized in liquid assets.

TSKB Loan Classification by 2022 Year-End	Share in portfolio	Coverage ratio
Stage 1	84.8%	1.0%
Stage 2	12.3%	26.9%
Stage 3	2.9%	92.0%
Total	100.0%	6.8%

Capitals



Human Capital

Risks

- Operational risk
- Generation gap between employees
- Compliance to the renewing technological developments
- Occupational health and safety
- Changing business norms

Opportunities

- Young and dynamic demographics
- Agile working culture
- Efficient work with artificial intelligence
- Hybrid and flexible work approach
- Welfare and business continuity

Associated Material Issues

- Competent Human Capital
- Employee Loyalty and Employee/Human Rights
- Ethics, Compliance with the Laws, and Anti-Corruption
- Digital Transformation and Agility

2022 Key Indicators

52%

Ratio of female employees in the Bank ✓

49%

Ratio of female employees in the management ✓

0.008

Gender pay gap ✓

51.3

Average annual training hours per employee ✓

100%

Ratio of return from maternity leave ✓

57%

Hybrid working rate ✓

2023 Targets



H1

To keep the **ratio of female employees** in the Bank at least 50%



H2

To keep the **gender pay gap** below 0.5%



H3

To keep the level of **annual average training hours per employee** at least 45 hours



H4

To offer user-friendly mobile and support applications to our employees in order to **ensure employee well-being and business-private life harmonization** under the motto of “It is Worth Us!”



H5

To keep the **usage ratio of Reflex**, our mobile application where we support instant feedback, appreciation, and interaction, at 50% and above



H6

Organizing a **Data Science Program** with a mixed group of business unit representatives and producing projects within the scope of digitalization competence development with a Hackathon event at the end of the program



H7

To organize inspiration sessions, trend chats, Needs & Leads sessions where we will get together with entrepreneurs and gender equality workshops with the participation of our employees at least once with the **TSKB Technology and Entrepreneurship Platform**

* Based on the calculation made with median values

Capitals

Human Capital

2022 Key Performance Indicators

Human resources and equal opportunity indicators

Ratio of female employees in the Bank	52% ✓
Ratio of female employees in the management	49% ✓
Ratio of female members in the Board of Directors	18% ✓
Gender pay gap*	0.008 ✓
Ratio of employees in the sustainability structure	18% ✓
Average annual training hours per employee	51.3 ✓
Employee turnover ratio**	7.9% ✓
Hybrid working rate	57% ✓
Ratio of female employees on maternity leave	0.08% ✓
Ratio of return from maternity leave	100% ✓
Ratio of male employees on paternity leave	3% ✓
Ratio of participation in the employee engagement survey	85% ✓

Equal opportunities pursued in all HR practices

Women's Ratio

Flexible working	63% ✓
Department change (rotation, internal transfer)	55% ✓
New recruits	44% ✓
Promoted employees	50% ✓
Employees joining our Bank following the TSKB Academy new graduate program	31% ✓
Candidates involved in the recruitment process	44% ✓
Representation at the universities	65% ✓
Sustainability Workshop	73% ✓

*The ratio difference is given according to the female/male median value. If it is calculated based on the average, the ratio is 0.06%. ✓

**Turnover rate among high-performing employees in banking staff.

Capitals

Human Capital

AS TSKB, WE CONTINUE OUR INVESTMENTS IN HUMAN RESOURCES AND IN THE EMPLOYEES' DEVELOPMENT BASED ON A SUSTAINABLE APPROACH IN COMPLIANCE WITH THE REQUIREMENTS OF OUR CORPORATE STRATEGY.



379

Total number of employees ✓

HUMAN RESOURCES AND EMPLOYEE DEVELOPMENT IN 2022

As TSKB, we continue our investments in human resources and in our employees' development based on a sustainable approach in compliance with the requirements of our corporate strategy.

The remote working model, which became common following the pandemic in 2021, was adopted afterwards as a hybrid model in 2022.

Hybrid Working Model was fully adopted as of May 16th, 2022 given the changing working conditions. With this model, employees may work at the office for 3 days and remotely for 2 days (and at the office for 2 days as of November 1, 2022). Our average rate of remote work in 2022 was 57%.

In order to improve communication among employees during the pandemic, we organized 12 online meetings named "Let the Experts Talk" to talk about our hobbies. In addition to the online meetings we organized two physical meetings named "Open-Air Cinema" and "Tango 101."

Digitalization of HR applications continued in 2022

Our digitalization efforts started right at the beginning of 2020 in order to gain HR practices with a user-friendly quality and to increase the accountability and transparency of the system. In 2022, we made available the TSKB Career Portal to applicants so that they could create CVs, follow vacancies, and make applications.

We launched the Reflex mobile application as part of the interactive and user-friendly digital efforts which support instant feedback and appreciation in order to enhance and foster feedback culture throughout the Bank. Reflex enables receiving situational feedback from employees through "Pulse Surveys" (under headings such as Motivation, Working Environment, and Feedback) and to collect insights for the necessary actions. We believe and expect that diversified pulse surveys and their results which we are sharing with employees will contribute to the prosperity of a transparent communication environment. Newly joined employees can follow the processes on mobile screens with the help of a "Buddy" assigned to them thanks to Reflex.

The digital human resources platform enabled employees to access training programmes and enhance development management. We further improved the performance management system evaluation screens. We have brought the TSKB Applicant Career Portal to use in January 2022.

In 2022, we revised and updated our Human Resources Regulation and added new vacation types.

With respect to our 2022 training activities, we gave priority to the development of competencies and management skills, under the motto of "Become a Partner to the Future".

We also updated the “Critical Position Succession Plan,” in 2022 in line with the changing needs. Accordingly, we analyzed the outputs of the development plans to re-identify the needs of potential employees in 2023.

With the Internal Transfer Project, we support horizontal career movements among our employees to improve their technical knowledge, skills and competencies. In 2022, 25 colleagues accessed the opportunity to change their departments. Also, 6 colleagues gained new experiences thanks to the temporary rotation option.

Agile working model training courses at full speed

In line with the more efficient human resources target, we implemented an agile working methodology in pilot projects with the support of in-house coaches.

In order to spread the agile culture, we communicated our organizational agile transformation strategy and targets to the senior management and HR representatives. Moreover, we organized various training programs for the business units which work on agile projects.

Since September 2021, we set up permanent agile teams within the IT department in order to benefit more from the agile method. We identified Agile Representatives to support business units and to manage agile teams’ work and total demand. Agile coaches continue to train groups and project teams. In 2022, we received consultancy services from industry-leading consultants and we aim that the agile transformation will continue to accelerate following this process. In 2023, we will continue to expand the agile mindset throughout our organization and train our employees for further deepening in agility.

TSKB Technology and Entrepreneurship Platform

We established TSKB Technology and Entrepreneurship Platform in cooperation with the Turkish Entrepreneurship Foundation (GirVak) in 2018 in order to keep up with the rapid change of the world and to develop new ways of doing business and innovative perspectives. In 2022, we hosted three entrepreneurs and held two sustainable development meetings, and two Trend Conversations, where GirVak fellows were hosted, as part of the inspiring speeches series. Moreover, we organized the Needs&Leads meeting in which TSKB professionals discussed the needs of entrepreneurs. In 2023, we will continue the online inspirational sessions to meet with entrepreneurs, trend conversations to meet with GirVak fellows, and sustainable development meetings.

Strong employer branding with universities

In 2022, 26 TSKB employees took part in various courses and programs at 13 universities as part of our strong employer branding activities.

The content of the seminars and courses were determined in line with the needs of undergraduate and graduate students. Such contents concentrate mostly on finance, development economics, and sustainability. In addition to a technical lecture, TSKB employees also talked about how the academic knowledge acquired at university was reflected in business life. While the cooperation with targeted universities continued, we organized presentations to the target audience at the events of university clubs.

We organized the headquarter trip to 30 students from 13 different universities as part of TSKB Discovery Day. In 2022, we also participated in the podcast “How Do They Spend a Day?”.

We held the 10th Sustainability Workshop in cooperation with our subsidiary Escarus and in collaboration with YTU, YTU CFGS, and SDG Student Hub in order to improve the sustainability literacy of students. 24 students from 9 different departments of Yıldız Technical University attended the online workshop.

Capitals

Human Capital

IN LINE WITH OUR STRATEGIES AND LONG-TERM OBJECTIVES, OUR EMPLOYEES ARE PAID AN ANNUAL BONUS IN COMPLIANCE WITH RISK MANAGEMENT STRUCTURES AND BY TAKING INTO ACCOUNT ETHICAL VALUES AND INTERNAL BALANCES.



91

Number of new recruits in 2022 ✓

Job opportunities for the students after the internship

We start interacting with young talents in their university years, maintaining this relationship in the future as well. For long-term intern recruitments, we started to use “TSKB Effective Career” brand communication. In 2022, 37 interns worked at the Bank on a part-time basis for at least 6 months.

Following their internship period and their graduation, which is like a real job experience, interns can have the opportunity of securing a junior associate title. In 2022, 3 interns started to work at the Bank as full-time junior associates.

Growing with new employees

As part of TSKB’s recruitment activities in 2022, a total of 91 new employees, including 32 new graduates and 59 experienced employees, joined the TSKB family in line with the different departments’ needs.

We recruited a total of 16 Junior Associates with the first TSKB Academy, which was implemented to recruit recent graduates to our Bank. For 2023, we planned a various training courses that will contribute to the technical and personal improvement of our new employees.

In 2022, we started the CEO Young Consultants Program, where young employees come together with the CEO to share information and experience. 24 young consultants will meet TSKB CEO about current issues periodically.

Gender equality principle in remuneration

In line with our strategies and long-term objectives, our employees are paid an annual bonus in compliance with risk management structures and by taking into account ethical values and internal balances.

As in all human resources practices, we take gender equality into account in remuneration management. As of the end of 2022, the audited gender pay gap ratio is 0.087%.

Since we closely follow changing and diversifying wage and rewarding methods in Türkiye and across the world, we implemented new rewarding models to increase human resource quality and employee engagement. In 2022, we started to reward distinctive, innovative, and effective projects. Accordingly, we awarded several employees who have shown extraordinary success depending on the extent of their distinguished performances and business results in the relevant projects. The reward program constitutes 6 different categories; Increasing the Profits, Transforming the Business, Creative Innovators, Developing Cooperations, Digitalizing, and Adding Value to the Environment and Society.

Feedback Survey for more interaction

We aim to improve interactions by creating a transparent channel within our bank. Accordingly, on an annual basis we conduct the Interdepartmental Feedback Survey to allow employees to give feedback as a team, and the 360 Degree Evaluation Survey was launched in 2022 to enable the creation of a stronger culture of feedback and contribution to personal development.

Employee Engagement Survey with 85% participation rate

We believe that the key to the business development is the opinions and feedback culture within the organization. Therefore, we conduct employee satisfaction surveys annually. These surveys allow us to regularly measure the satisfaction and engagement levels of our employees, to provide a routine platform for them to convey their ideas and suggestions, and to take action in line with our improvement targets. In order to carry out practices on an equality principle in Human Resources processes, we took actions in full compliance with the equal opportunity model and conducted essential reporting activities in 2022. With a participation rate of 85% in 2022, 292 employees responded to the employee satisfaction survey. We saw that our efforts to improve employee engagement were reflected in the survey's results.

Key results of the Employee Engagement Survey

- The highest score in employee engagement was recorded in the “First Level Manager Satisfaction” and “Inter-Team Collaboration” aspects. The relevant aspects were followed by “Job Satisfaction” and “Diversity and Inclusion.”
- “Job Satisfaction” aspect has been continuing to maintain the satisfaction rate for the last 5 years.
- “Social and Environmental Awareness”, “Workplace Safety”, “Interaction with Colleagues”, and “Training and Development Opportunities” were among our strengths.
- A balanced distribution was observed in the “Engagement” score of female and male employees.

- The following questions were among the ones that yielded the highest result compared to other sectors, especially Banking: “My company is sensitive to the society and environment.”, “I can communicate with my colleagues and receive the support I need.”, “This company strongly supports the training and development of its employees.”, and “We have a working environment where individual differences and divergent ideas are accepted.”

Ongoing improvements in the Digital HR Platform

We completed multiple projects focused on productivity and improvement with the Digital HR Platform. These efforts include the simplification of HR processes to increase their effectiveness and visibility, the establishment of modern and contemporary infrastructure, the management of processes in an integrated manner, and the creation of feedback and open communication culture. Throughout 2022, we continued to develop the platform.

In 2023, we will initiate studies on organizational benchmark, job evaluation, and career management with the consultants. The main purpose of the project is to ensure that employees have more systematic and effective practices in career management and to define critical skills for each position by determining the career levels of employees.

At TSKB, we aim to develop human resources with customized training programs. Accordingly, we carried out various training and development activities to improve not only the technical and professional knowledge but also the personal skills and well-being of our employees.

Capitals

Human Capital

IN ORDER TO PREPARE OUR EMPLOYEES FOR THE FUTURE AND IMPROVE THEIR MANAGERIAL SKILLS WE OFFERED DIFFERENTIATED PROGRAMS AT EVERY LEVEL.



51.3

Average training hours per person in 2022 ✓

TRAINING PROGRAMS AT TSKB

At TSKB, we aim to develop human resources with customized training programs. Accordingly, we carried out various training and development activities to improve not only the technical and professional knowledge but also the personal skills of our employees. In 2022, we provided approximately 51.3 hours of training per person on average while the average training hour per contract employee was 17.

We also provided various theme-based training programs, including technical and vocational training courses as well as mandatory training courses to our employees. We put in place orientation and mentoring processes to ensure that our new employees can adapt quickly to the organization.

The Training Catalogue is one of the most important tools for our continuous improvement target. We presented the Holistic Health Meetings Catalog in 2022. We organized online seminars titled Healthy Diet, Stress Management, Breathing Techniques, and Digital Minimalism on a monthly basis.

In 2022, we included Childbirth-Preparation, Return-to-Work, and Parental Roles programs with the respect of balance in professional and private life. As part of the program, we conducted one-to-one consultancy and closed group experience sessions by age groups were conducted under specialist clinical psychologist guidance.

In order to prepare our employees for the future, and improve managerial skills we offered different programs at every level. Accordingly, we gave one-on-one coaching, and domestic and international training programs to the department managers to improve their leadership skills.

We designed the Sustainability Development Program with the contributions of our subsidiary Escarus and relevant departments to increase the level of knowledge and awareness of our employees on sustainability, one of our most important fields of activity.

We created the agenda of the online seminar series in which we focus on digitalization developments across the world and the sector. Furthermore, we launched the Digital Development Catalogue which constitutes development instruments such as videos, podcasts, articles, and discussion areas, through the learning platform “Become a Partner to the Future.”

In addition, we carried out the core level data science program to contribute to our digitalization strategy. During the program, our employees from different departments had intraclass training programs with following modules: Agility in Innovation and Digital Transformation, Behavioral Economy, Banking of the Future and Big Data in Banking. The module named Artificial Intelligence in Banking. At the end of the program, we organized a hackathon to foster digitalization-based business ideas.

We revised our competency set in line with the new world skills and our strategy. We included new titles such as Digital Awareness, Emotional Intelligence, Coaching, and Delegation in the competency set. Accordingly, we added e-training, which were specifically designed for our bank, about the competency set to the Become a Partner to the Future platform.

As part of the organizational development activities in 2022, selected employees under the critical position succession plan participated in one-on-one coaching, domestic and international development training courses, as well as technical and vocational training programs. In 2023 we will continue to prepare development programs in line with the upcoming period's needs.

We will continue investing on the multi-disciplinary development of human resources taking the requirements of our corporate strategy into account.

Human Resources Principles

We have accepted the principles of the Universal Declaration of Human Rights, the International Labor Organization (ILO) Fundamental Principles and Rights at Work, the UN SDGs and the UN Anti-Corruption Convention, and we carry out all our activities in accordance with these principles in the scope of operating regulations for Türkiye.

We are sensitive to the issue of compliance with international human rights standards. We ensure that all stakeholders, including our own employees and suppliers, comply with international standards. For this purpose, TSKB Prohibited Sectors and Activities List has been published. You can access our human rights and other relevant policies on our website.

We provide a working environment based on the principle of diversity and inclusiveness.

In the recruitment processes, we do not discriminate on the basis of visible or invisible reasons such as gender, religion, national and social origin, race, marital status, age, political opinion, mental or physical disability, social class difference, HIV/AIDS status, philosophical belief, union membership, sexual orientation and the like, we do not allow discrimination between employees and we strive to provide a working environment based on diversity and inclusiveness.

Issues such as training and development opportunities, remuneration, working hours, job security, performance evaluation and promotion, maternity protection, occupational health and safety are applied equally to all our employees and we do not make any discrimination.

SUSTAINABLE OFFICE PRACTICES

Biodegradable Waste Boxes

For more comprehensive sorting to manage wastes by minimizing them, we also placed biodegradable waste boxes for biological wastes which include vegetal and animal wastes in addition to boxes for batteries, papers, metals, glasses, plastics, and masks.

No More Paper Cups

We diligently manage the environmental impacts of our operational activities and aim to minimize wastes caused by our internal operations. In this context, we ended the use of non-recyclable paper cups at café corners and started to use porcelain and glass cups.

Wastespresso Collaborations

Over 2.5 billion cups of coffee are consumed every day around the world and only 1.2% of this consumption is recycled. We manage and upcycle the micro waste of coffee sediments collected at our Head Office buildings in collaboration with Wastespresso. Thus, we minimize carbon emissions caused by coffee wastes and support alternative inventions to plastics that remain non-biodegradable in nature for a long time.

Postal Bags to Boxes, Children to Schools

The project, which we started to support sustainable development, also fosters the principle of equal opportunity. With this project schools are established for children with limited access to education via the budget obtained. We support this significant project by throwing all postal bags into the box at the Correspondence Unit.

Capitals



Natural Capital

Risks

- Climate risks
- Biodiversity loss
- Water scarcity
- Plastic pollution
- Natural disasters
- Greenwashing

Opportunities

- Financing fair transition to low-carbon economy
- Consulting services supporting green transformation
- Alternative financing products including Investment Banking
- Formation of new resource themes

Associated Material Issues

- Sustainable Financial Performance
- Management of Climate Risks and Opportunities

2022 Key Indicators

13.2 million

CO₂ emission reduction contribution provided by sustainability investments ✓

386 projects

Renewable energy projects financed to date ✓

156

The number of energy and resource efficiency projects in our portfolio

8.4%

The ratio of the loan portfolio included in the Scope 3 calculation and verification processes ✓

7.9

Sustainalytics ESG Risk Rating (Negligible Risk Category)

A (89/100)

Refinitiv Score

Short, Medium, and Long-Term Targets



N1

To provide SDG-linked financing of a **minimum USD 8 billion** between 2021 and 2030



N2

To maintain the ratio of SDG-linked loans in the total portfolio **at 90% and above**



N3

To keep the share of loans contributing to climate and environment-focused SDGs in the total loan portfolio **at 60%.**



N4

To provide **USD 450 million** in financing with the themes of reducing and adapting to climate risks, as well as circular economy, including energy efficiency projects supported by advanced technology



N5

To create a focused strategy within the scope of **Circular Economy financing** and provide capacity development for customers



N6

To provide capacity development by conducting gap analyses on the advisory side within the scope of the **Carbon Border Adjustment Mechanism**, which will be put into effect by the European Union in the coming period



N7

To **avoid financing** the greenfield coal-fired thermal power plants and **coal mining investments** for electricity generation purposes as part of its combat against the climate change



N8

To provide financing focused on the **transition to a low-carbon economy** to real sector companies in line with our 2050 Net Zero target



D9

To continue working with the Science-Based Targets Initiative (SBT-i) and determine our sectoral targets for the fair transition to a carbon free economy by the end of 2024 within the scope of our signatory status and commitments to the United Nations Net Zero Banking Alliance (NZBA).



N10

To **reduce the Scope 1 emissions by 58.8% by 2035, keep the Scope 2 emissions at zero level** by continuing to use renewable energy, and **continue the Scope 3 emission calculations** as regards the measurements of greenhouse gas emissions of the companies operating in carbon-intensive sectors in our portfolio



N11

To continue the efforts for the **integration of credit risks to credit evaluation**, allocation, and monitoring processes and for the **financialization of climate risks** within the scope of the evaluation of the loan portfolio in terms of climate risks



N12

To continue reporting by taking into account the **recommendations and requirements of updated international standards such as UNEP-FI, CDP, and TCFD** while developing a climate risk management approach



N13

To act in compliance with the zero waste principle in line with the **Zero Waste Regulation** of the Ministry of Environment, Urbanisation and Climate Change and create awareness within the bank

Capitals

Natural Capital

2022 Key Performance Indicators

CO ₂ emission reduction contribution provided by sustainability investments (tons CO ₂ e/year)*	16.39 million
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Renewable Energy**

Number of renewable energy projects	404 ✓
Total installed capacity financed (MW)	8,446 ✓
TSKB's share in Türkiye's renewable energy installed capacity	15% ✓
Loan disbursement amount (USD billion)	4.6
Contribution to reduction of CO ₂ emissions (tons CO ₂ /year)	13.21 million ✓

Ongoing and New Renewable Energy Projects

Number of projects	44
Installed capacity (MW)	1,972
Electricity generation volume (MWh)	4.61 million
CO ₂ emission reduction contribution (tons CO ₂ e/year)	3.27 million

Energy & Resource Efficiency

Raw material savings (tons/year)	14.67 million
Water savings (m ³ /year)	3.23 million
Waste savings (tons/year)	55,530
Energy savings (Gigacal/year)	6.23 million
CO ₂ emission reduction contribution (tons CO ₂ e/year)	3.18 million

Internal Impacts of the Bank

Use of electrical energy	100% green ✓
Annual carbon footprint removal (tons CO ₂ e)***	927
Paper consumption in the Head Office (kg)	2,475 ✓
Recycled glass, plastic and paper waste (kg)	4,688 ✓
Electricity consumption in the Head Office (kWh)	999,041 ✓
Natural Gas consumption in the Head Office (m ³)	69,896 ✓
Water consumption in the Head Office (m ³)	5,031 ✓
Water density (m ³ /employee)	9.71 ✓
Electricity density (kWh/m ²)	59.6 ✓
Natural gas density (m ³ /m ²)	4.2 ✓

* Renewable Energy, Energy Efficiency and Resource Efficiency projects

** It also includes Rooftop and Land SPP projects for domestic consumption.

*** Carbon take-off transaction data for BSI verified emissions excluding future financed emissions

2.2 USD billion

SDG-linked financing of USD 2.2 billion has been extended since 2021, including USD 1.1 billion in 2022. Thus, approximately 30% of the relevant target was achieved in 2 years. ✓

91%

In 2022, the ratio of SDG-linked loans in the total portfolio was 91%. ✓

60 %

In 2022, the ratio of loans contributing to climate and environment focused SDGs in the total portfolio was 60%. ✓

Short, Medium, and Long-Term Targets

Realizations in 2022

We aim to extend loans of at least USD 150 million to renewable energy-themed projects by the end of 2022.	In 2022, USD 188 million in new renewable energy-themed loans was disbursed. ✓
In the upcoming period, we aim to provide direct and indirect support to companies in the transition to the EU Green Deal.	We continue to support our customers in parallel with the developments within the scope of the EU Green Deal with all our business lines.
As part of the Bank's combat against climate change, we declare that we will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes.	No financing has been provided for the greenfield coal-fired thermal power plant and coal mining investments for electricity generation purposes.
In line with our 5-year roadmap (2021-2025), the evaluation of the loan portfolio in terms of climate risks, which was launched in 2020, will be finalized and climate risks will be integrated into the loan evaluation and monitoring procedures.	With the Climate Risk Evaluation Tool (CRET) , the pilot applications of which started in 2021 and which were put into operation in 2022, we have integrated climate risks into the credit processes.
In line with our 5-year roadmap (2021-2025), a climate risk management approach will be developed and full compliance will be achieved by following the UNEP-FI and TCFD recommendations.	Continued our activities in compliance with the Climate-Related recommendations of UNEP-FI and TCFD .
We undertake to manage all internal impacts, greenhouse gas emissions and external environmental and social impacts originating from financed companies and projects in compliance with ISO 14001 and ISO 14064-1 Standards in 2022.	In 2022, all environmental and social impacts of the Bank were managed in compliance with ISO 14001 and ISO 14064-1:2018 standards. The certificates are available in the Compliance Opinions section. ✓
We undertake to reduce our Scope 1 (direct) emissions by 42% by 2030 and by 63% by 2035.	In the approval process, which we initiated with the Science-Based Targets Initiative in 2022, the base year of our target has evolved from 2020 to 2021. In this case, the revised target was to reduce our Scope-1 (direct) emissions by 58.8% by 2030 compared to the base year 2021. Scope 1 (direct) emissions decreased by 8.46% compared to last year. ✓
We will continue to work on measuring the greenhouse gas emissions of companies operating in carbon-intensive sectors in our portfolio.	As of the end of 2022; the projects included in the calculation for financed emissions account for 8.4% of our total portfolio. ✓
We undertake to calculate our carbon footprint periodically in 2022 and to carry out effective carbon management by neutralizing our carbon footprint (financed companies and projects excluded).	Greenhouse gas emissions from the operational activities of our Bank were calculated according to ISO 14064-1:2018 standard and verified by BSI in 2022 as well. The resulting emissions (the emissions from financed projects excluded) have been zeroed through carbon credits obtained from voluntary markets. ✓
In 2022, we will apply the Environmental and Social Risk Assessment Model to investment loans and business loans.	In 2022, we applied ERET, an environmental and social risk measurement model, to a total of 22 working capital loans.
As a signatory to the Declaration on Biodiversity under the IDFC - Finance in Common Summit (FiCS), we undertake to maintain our compliance with environmental and social standards for the protection of biodiversity.	In line with our responsible banking approach, we deal with biodiversity as a separate issue under the environmental and social risk assessment in the projects we finance, and expect our investors to take appropriate actions in risky situations.

Capitals

Natural Capital

IN ALL INVESTMENT PROJECTS FINANCED BY THE ERET MODEL, WE ADOPT A SUSTAINABILITY APPROACH THAT MEETS THE ENVIRONMENTAL, SOCIAL, AND OCCUPATIONAL HEALTH AND SAFETY STANDARDS OF DEVELOPMENT FINANCE INSTITUTIONS.

ERET Model

ERET - the Environmental and Social Risk Evaluation Tool – which was designed in 2005, has been applied to all investment projects financed by TSKB. ERET was developed to close the competency and experience gap between experts in the environmental and social risk categorization of projects, follow a consistent and standardized methodology, and carry out risk management in a way to cover specific risks.

The ERET Model not only contributes to the project evaluation but also enables the Bank to build up a deep intellectual capital and knowledge. Additionally, the environmental and social risk evaluation also helps to raise awareness within the organizations financed by us. The ERET Model creates value in line with the principle of responsible income generation for both our Bank and our stakeholders.

Management of Environmental and Social Impacts Arising from Lending Activities

In line with the principles of responsible banking, we attach importance to identifying objectively the potential risks and impacts that arise in the evaluation of the environmental and social impacts of projects.

This process requires a comprehensive assessment, and the extent of the environmental and social impacts is discussed in cooperation with investors prior to lending. In light of the project evaluation results, issues to be managed and the actions to be taken are determined and communicated to the investors. At TSKB, lending begins when all of these processes have been completed and the project risk management plan has been prepared. The annual evaluation results of the ERET Model are publicly reported on our website.

Our Bank is the representative of an expertise-oriented banking culture. We also introduce pioneering practices in environmental and social risk measurement. With the start of the loan process, the relevant project plans are monitored by the engineers and social experts of TSKB or independent environmental and social consultants. We meticulously monitor the implementation of these plans and manage the environmental and social risks of the projects we finance.

In the ERET Model, we address the potential environmental impacts of projects such as waste, emissions, and noise, as well as the potential social impacts on all stakeholders, including local communities, and on land acquisition processes, stakeholder participation activities, and complaint mechanism, and its potential social impacts, such as physical and economic displacement, in addition to local employment. Gender sensitivity of the plans and actions we have prepared with our social expert, whom we added to our team in 2022, along with our customers within the scope of our environmental and social risk management approach is also one of the topics we pay attention to the most.

The ERET Model is also in line with the criteria in the Equatorial Principles, which are based on standards of the IFC and the World Bank and implemented by banks operating in developed economies

The environmental and social risk rating methodology of the ERET Model is constantly reviewed by TSKB teams. Depending on the changing conditions, the weight of high-risk issues in the calculation is increased, and issues that pose a risk are put forward.

Investment Projects Considered Within the Scope of ERET

The current project risks measurement model consists of 35 questions under five main categories, this model is based on a current and prospective study of the environmental and social impacts as well as legal and financial liabilities that may arise from the investment projects evaluated by our Bank for financing.

Depending on the environmental and social risk score obtained in the evaluation, a plan is prepared in cooperation with the investor to mitigate and monitor the impacts. The environmental and social risk scores of the owners/investors of investment projects evaluated in 2022 are given below:

	Project
High risk A	2
Moderate-sensitive risk B+	11
Moderate risk B-	28
Low risk C	4

In 2022, we considered geothermal and airport management investments as high-risk projects. Environmental and social risk assessment was carried out for these investments and Environmental and Social Action Plans were established for effective risk management. The investments that stand out as medium-sensitive risky investments consist of aluminum ceramic, and paper industry, hotel and shipyard investments, biomass energy, solar energy, and wind energy projects. Environmental and Social Action Plans have been drawn up for these investments and their implementation is followed up.

Customers with Investment Projects Considered within the Scope of ERET

As a requirement of the risk management approach adopted by TSKB, environmental and social risks originating from the existing activities of customers/investors financed are also measured with ERET Model.

The client risk evaluation within the ERET Model consists of 12 questions under 5 categories.

	Project Owner
High risk A	2
Moderate-sensitive risk B+	17
Moderate risk B-	23
Low risk C	3

Working Capital Loans ERET

We undertake to monitor the environmental and social impacts and performances of our customers to which we have extended working capital loans since 2021.

We have expanded the scope of our environmental and social risk management approach to include working capital loans. Playing a leading role in the industry once again, we created the Environmental and Social Risk Evaluation Tool (ERET) for Working Capital Loans to measure working capital loan risks.

The environmental and social risk scores of our customers we evaluated within the scope of the working capital loan in 2022 are as follows.

	Client
High risk A	0
Moderate-sensitive risk B+	6
Moderate risk B-	10
Low risk C	6

The moderate-sensitive risky enterprises that we evaluated in 2022 are operating in the fields of aluminum, chemical, pharmaceutical industry, food, hotel management, and energy. Similar to investment loans, Environmental and Social Action Plans have been prepared for working capital loans and risks are being monitored.

In 2022, environmental and social risk assessments were carried out within the scope of a total of 45 investment loans and 22 working capital loans.

Capitals

Natural Capital

IN ADDITION TO MONITORING THE ENVIRONMENTAL IMPACT OF OUR OPERATIONAL ACTIVITIES, WE MONITOR THE EMISSIONS PREVENTED BY THE PROJECTS WE FINANCE EVERY YEAR AS PART OF THE SMS.

Environmental impacts arising from operational activities are also handled by SMS.

We meticulously manage environmental impacts arising from our operational activities. Using SMS, we monitor the consumption of electricity, water, natural gas, etc. and take actions in compliance with the reduction targets. Variations in natural gas and electricity consumption caused by climate change are sensitively evaluated.

Moreover, our waste management plan aims to make maximum use of recycling, dispose of waste in an eco-friendly manner and ensure their recovery for the economy. Our target is to reduce the amount of waste per person through our Bank's awareness-raising activities. We provide SMS training to all new TSKB employees to ensure that the concept of sustainability is internalized. In line with the Waste Management Plans implemented by our Bank so far, we take part in the projects initiated by our country in this area by obtaining our Zero Waste Certificate.

We carry out all of our operations as per ISO 14001 Environmental Management System Standard. We aim to continue to hold the ISO 14001 Certificate that we have been holding since 2007.

Carbon Footprint Management

Climate change and the loss of biodiversity are among the leading global threats to the future of humanity. We know much better now that we need a rapid transition towards a low-carbon economy and a circular economy in order to achieve sustainable growth and development.

As TSKB, we adopt globally emerging trends in a proactive approach. Accordingly, we started measuring our carbon footprint in 2006. Since the second half of 2009, we have eliminated the demand for electricity arising from our operations with renewable energy sources. We are committed to continuing to meet our electricity needs from energy sources with 100% I-REC, as we have done in the past. We have been carrying out our activities in accordance with the ISO 14064-1 Greenhouse Gas Accounting and Verification Standard since 2012. In 2021, we completed our training for compliance with the revised standard published in 2018 and updated our greenhouse gas inventory in accordance with the requirements of the new standard. In this context, we thus calculated the impact of carbon-intensive industries in our portfolio, in other words, our financed emissions, in an end-to-end transparent manner for the first time in 2021 and took the first steps of the work that will guide our activities to set reduction targets and create a roadmap from now on.



58.8%

Commitment to reduce direct emissions (Scope 1) by 2035

We monitor the emission prevented by the projects we finance every year as part of the SMS. Accordingly, Türkiye's up-to-date grid emission factor is calculated using scientific and internationally accepted methods to measure the contribution to the transition to a low-carbon economy through projects financed by TSKB.

In 2021, we determined Scope 1 and Scope 2 emission reduction targets by taking into account the 2020 greenhouse gas emissions inventory, using the internationally accepted Science Based Target Initiative (SBTi) guidelines. Accordingly, we committed to reduce direct emissions (Scope 1) by 63% until 2035 and to continue to provide 100% of our premises' electricity needs from renewable energy sources, which hold the International Renewable Energy Certificate (I-REC) and, thus, continue our 0 (zero) Scope 2 greenhouse gas emission practice.

With the start of the SBT-i target declaration process, we have revised our target to include the operational impacts of our subsidiaries. In this context, we have changed our new target to 58.8% by 2035 based on 2021.

Accordingly, as part of the carbon footprint offsetting activities carried out since 2008, we continue to zero all our direct greenhouse emissions, along with the indirect emissions, excluding the emissions from projects that we started to calculate in 2021. After announcing our commitments regarding the direct and indirect energy

consumption emissions in 2021, we reviewed our portfolio, which has a high rate of renewable energy and sustainable investments. Indirect emissions were calculated to include emissions from customers financed in carbon-intensive industries, including thermal power plants, iron & steel industry, and cement industry, which make up less than 10% of the 2022 year-end portfolio. As of the end of 2022; the projects included in the calculation for financed emissions account for 8.4% of our total portfolio.

In 2022, we expanded our work in this area as a signatory to the Net-Zero Banking Alliance (NZBA) established by UNEP-FI. With this signature, our Bank commits to align the loan and investment portfolio with the zero-emission targets by 2050.

Our strategy in transition to a low carbon economy;

- Following and actively participating in international initiatives
- Measuring and reporting greenhouse gas emissions arising from operations and lending activities, and having the calculations verified by independent institutions,
- Setting strong targets for the reduction of greenhouse gas emissions, determining a strategy and a roadmap in line with these targets, and designing projects,
- Managing our financing to support the transition to a low-carbon economy.

As of the end of 2022; the projects included in the calculation for financed emissions account for 8.4% of our total portfolio.

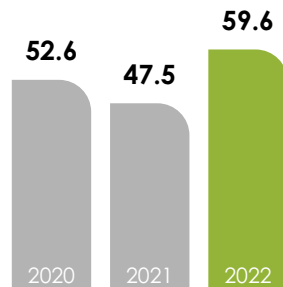
Capitals

Natural Capital

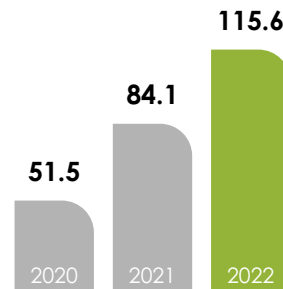
INTERNAL IMPACTS - KEY INDICATORS

We meticulously manage environmental impacts arising from our operational activities. As per the SMS-related activities, we periodically monitor the consumption of electricity, water, natural gas, etc. and take actions in compliance with the reduction targets. We calculate CO₂ emissions arising from our internal activities in accordance with the ISO 14064-1:2018 Greenhouse Gas Accounting and Verification Standard and take action to reduce emissions. With the waste management plan implemented according to the integrated waste management hierarchy, the waste collected separately at the source is sent to the recycling facilities. In this way, we aim to increase the rate of waste returned to the economy every year.

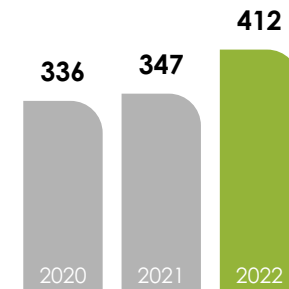
Electricity Consumption (kWh/m²) ✓



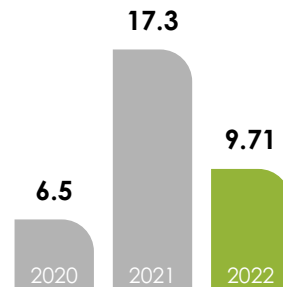
Asset Size (TL Billion)



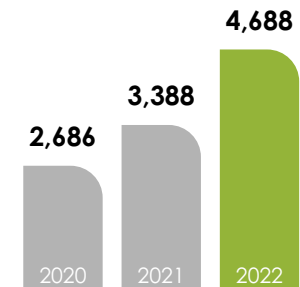
Number of Employees* ✓



Water Consumption** (m³/Employee) ✓



Amount of Recycled Plastic and Paper (Kg) ✓



* With the transition to the gradual return to the bank scheme in 2022, approximately 63% of the average number of bank employees (including those working remotely and in the bank) came to the bank.

The air conditioning systems, which were partially utilized in cooling and heating periods due to the pandemic, were used at full capacity in 2022, therefore our electricity and natural gas consumption rose compared to the previous years.

Similarly, our water consumption went up owing to the rise in the total employee number and the Bank attendance, compared to the last year. However, consumption per employee declined as a result of the rising total employee number.

A slight increase in our paper consumption was observed due to the rising Bank attendance.

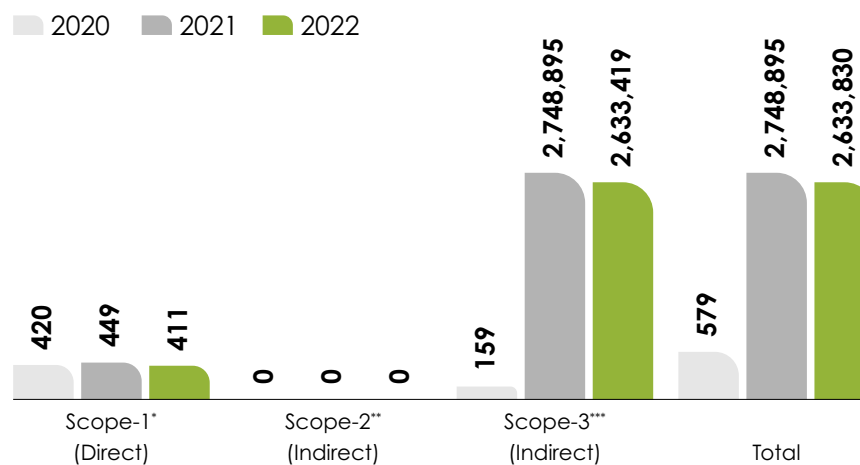
As part of the transition to the ISO 14064-1:2018 standard in 2022, greenhouse gas emissions originating from the financing were included in the inventory. In this context, the financing provided for coal and natural gas-fired thermal power plants and iron-steel, cement, and aluminum production facilities of our customers, which are in carbon-intensive sectors that make up 8.4% of the portfolio, were taken into consideration.

Scope-3 emissions including the emissions of the financed projects in 2022 are 2,633,419 tCO₂e, and the Scope-3 emissions excluding the emissions of the financed projects are 516 tCO₂e.

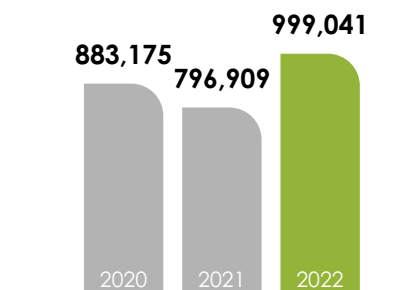
The total emissions including the emissions of the financed projects in 2022 are 2,633,830 tCO₂e, and the total emissions excluding the emissions of the financed projects are 927 tCO₂e.

Since I-REC-certified renewable energy is used in all of our buildings, Scope-2 carbon emissions are zero.

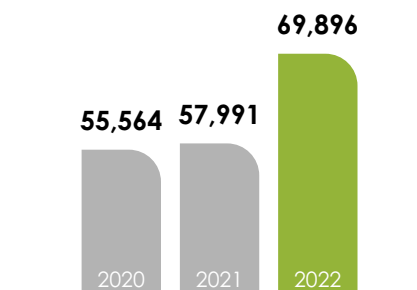
Greenhouse Gas Emissions (tCO₂) ✓



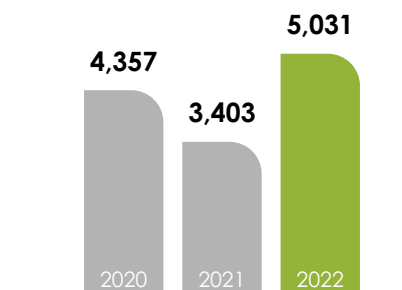
Electricity Consumption (kWh) ✓



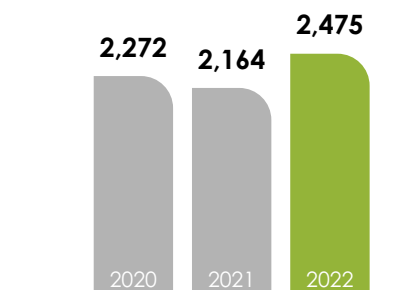
Natural Gas Consumption (m³) ✓



Water Consumption (m³) ✓



Paper Consumption (kg) ✓



* Direct Emissions (Scope-1): Greenhouse gas emissions that an organization owns and can directly control. Examples of direct emissions include greenhouse gas emissions from natural gas consumption, company vehicles, generators, chillers, ventilation and fire extinguishing systems.

** Indirect Emissions (Scope-2 and Scope-3): Greenhouse gas emissions that occur as a result of an organization's operations and activities but are not owned or controlled by the organization. Examples of indirect emissions include electricity purchased, personnel transportation services, emissions originating from financing, service purchases, and emissions originating from the production of used products.

*** New categories have been added due to the transition to the ISO 14064-1:2018 standard in 2021. The materiality criteria for categories will be reviewed annually and the emission sources included may vary.

Capitals

Natural Capital

TSKB AND CLIMATE CHANGE

Climate change and TSKB's Sustainable Banking Strategy

At TSKB, we determine our actions for combating and adapting to climate change in line with our sustainability strategy. We believe that high-quality development is directly related to sustainable banking and build our sustainable banking strategy on three key pillars:

- Supporting Türkiye's sustainable development model,
- Playing an active role in combating and adapting to climate change,
- Contributing to Türkiye's transition to an industry based on a low carbon economy.

This strategy includes the assessment of related risks and opportunities as well as the management of climate change issues. Our Bank implements its sustainability vision and strategy in its daily service processes, following a properly constructed and effective sustainability cycle.

Risks and Opportunities

Climate change is considered as one of the most significant global problems to threaten the future of humanity in environmental, social and economic dimensions. Scientific studies indicate that climate change will have far-reaching consequences for every region and water basin in Türkiye. In parallel with what is expected to happen in the world, it is predicted that average temperatures will increase, water resources will be severely reduced - especially in the spring and summer seasons - due to precipitation irregularities, drop in agricultural yields will lead to more restricted access to food, sea levels will rise, drought and desertification will gain pace, the frequency and effects of extreme weather events such as flood and prolonged forest fires will increase in Türkiye. The biodiversity will also be affected by all these adverse events.

Extreme climate events and long-term climate change present physical risks with the potential to disrupt or adversely affect economic activity, while moving towards a low-carbon economy presents transition risks. Within the framework of transition risks, changes in climate policies, production

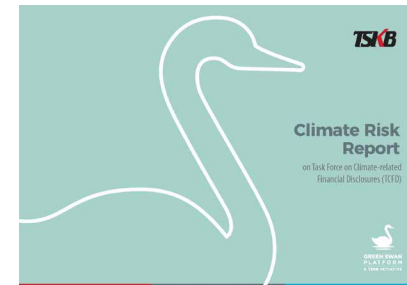
technologies, and consumer preferences may create new investment needs, increase operating costs, and negatively affect asset values. Under these conditions, financial institutions will also be exposed to transition risks to the extent of their positions in enterprises that do not design their business models in accordance with the green economy.

On the other hand, climate change brings opportunities besides risks. It is expected that investment projects in agriculture, energy production, industry, transportation, waste management and urbanism will be implemented, especially in the field of adaptation and emission reduction. Taking decarbonization steps in these sectors quickly and implementing the transition process to a circular economy decisively are of great importance in terms of managing risks and impacts in the most effective and cost-effective way. We will continue to support this transformation in Türkiye with our advisory and financing business lines.

In addition to combat, the necessary adaptation measures against the current physical effects brought about by climate change also need to be well analyzed, planned, and managed. Thanks to this, potential problems in production activities and supply chains and losses in asset values will be prevented.

We position the fight against climate change and adaptation among our strategic focuses. Accordingly, we issued the *Climate Change Mitigation and Adaptation Policy* in 2021. In the Climate Risk Report, we declared the risks and opportunities arising from climate change and underlined that we would continue to support Türkiye's transition to a low-carbon economy at full speed. In the upcoming period, we will continue to work in line with TCFD recommendations.

We are aware of the risks and opportunities arising from climate change. The Climate Risks Working Group, established in 2020 within the scope of our Bank's sustainability structuring and consisting of representatives from different departments of the Bank, built a capacity, both within the framework of physical and transition risks and in line with TCFD recommendations, to measure project and portfolio risks, conduct scenario analyses, and integrate them into



decision-making mechanisms by reporting transparently. We completely share this capacity we developed, in our CDP reports in a holistic and detailed manner. Our integrated studies will continue with the said scenario analyses and stress tests to set our science-based targets for the greenhouse gas emissions arising from our financed projects.

TSKB Climate Risk Report

As one of the leading institutions supporting the Task Force on Climate-Related Financial Disclosures (TCFD), TSKB led the way for the Turkish banking industry with its *"TSKB Climate Risks Report"* published in 2021.

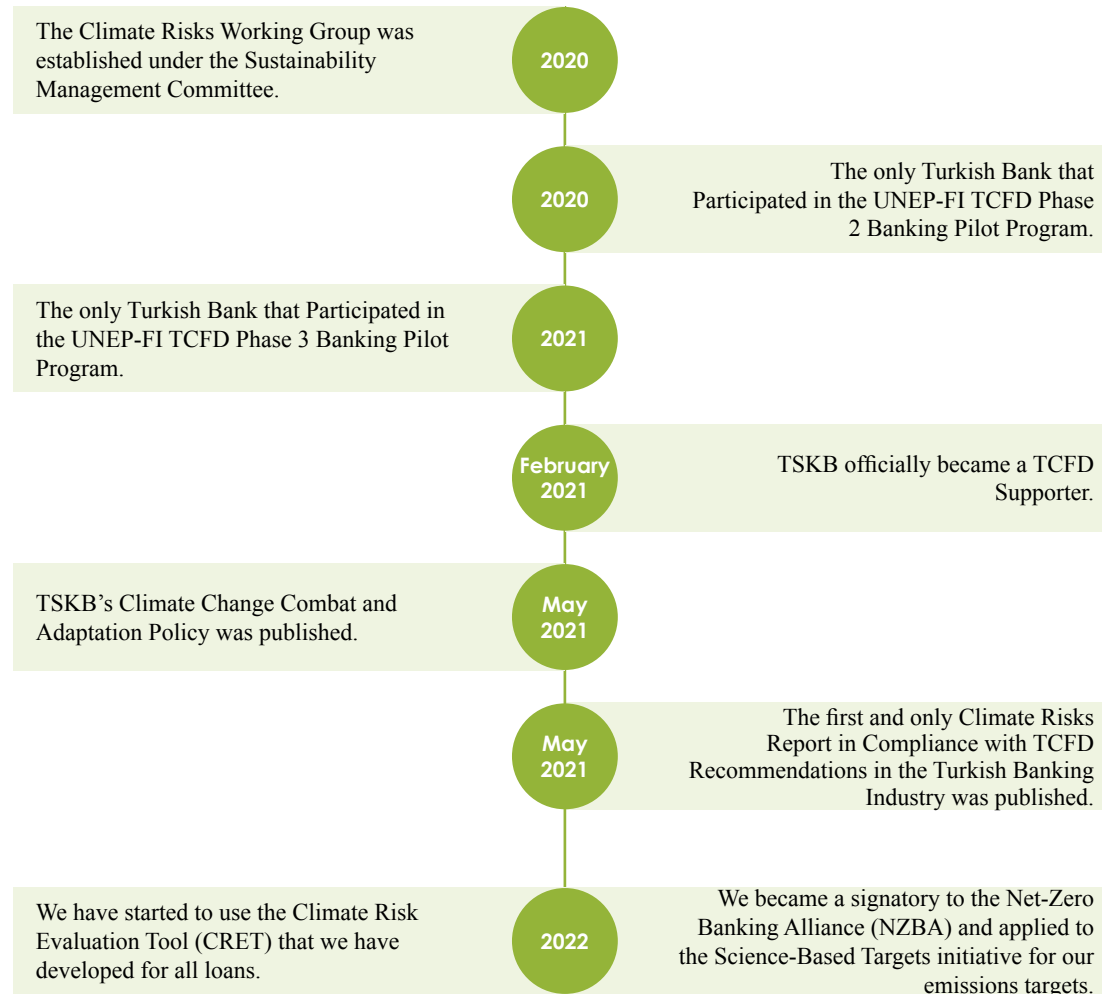
The Climate Risks Report summarizes TSKB's journey of combating and adapting to climate change and explains its compliance with TCFD recommendations in 4 dimensions (Governance, Strategy, Risk Management, and Criteria and Goals).

The information on the strategy, criteria and targets in the report is reviewed periodically.

TSKB will continue to share its commitments, targets, and performance indicators in this report regularly and transparently.

Progress against the target as of the end of 2022 is reported in the Integrated Annual Report. Relevant realizations are available on page 89.

Milestones in Efforts Related to Climate Risk



Climate Risk Evaluation Tool (CRET)

With the CRET, the pilot applications of which started in 2021 and were put into operation in 2022, we have included climate risks in the credit assessment, allocation, and monitoring processes. In this context, we evaluate credit projects within the framework of physical and transition risks by considering climate-related risks in detail. At the next stage, we aim to integrate the risk score model outputs that we have prepared to use in the credit evaluation and allocation processes into our internal rating model.

Our practices regarding climate risk have been awarded an A- rating by the Carbon Disclosure Project (CDP).

We have introduced many innovative and pioneering practices in the Turkish financial industry in the transition to a low-carbon economy. We were one of the first stakeholders in Türkiye of the Carbon Disclosure Project (CDP), one of the most important global initiatives in climate change.

Our Bank shares the risks and opportunities of climate change and the strategies it implements on a voluntary basis every year within the scope of the CDP Climate Change Program. In 2022, we carried our CDP rating to the next level and raised it to the Leadership (A-) level. Thus, we have confirmed that we are on the way to achieving our high goals in the field of sustainable development.

Please click [here](#) to access our 2022 CDP Report.

Capitals

Natural Capital

IN 2022, WE BECAME A SIGNATORY OF THE NET-ZERO BANKING ALLIANCE ESTABLISHED BY THE UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE.

CLIMATE CHANGE POLICIES FOLLOWED BY TÜRKİYE and TSKB

The position of Türkiye in the fight against global climate change

Türkiye accepted the Paris Agreement in the Parliament and officially put the agreement into effect before the 26th Conference of the Parties (COP 26) to the United Nations Framework Convention on Climate Change. Türkiye also announced its target of achieving net-zero emissions by 2053. Türkiye announced the updated Nationally Determined Contributions (NDCs) at the 27th Conference of the Parties (COP 27) held in Sharm El Sheikh in 2022. Türkiye's target for reduction from the increase announced as 21 percent for 2030 in 2015 has been increased to 41 percent within the framework of the new NDCs. According to the new NDCs announced at COP 27, it is planned that Türkiye's greenhouse gas emissions will reach their peak in 2038 and be reduced in line with the 2053 net-zero emission target after that date. The current NDCs require significant transformations in all areas related to the climate, from energy to industry, from transportation to buildings, and from the waste sector to waste areas.

At the Climate Council held in February 2022, representatives of our Bank contributed to the country's targets in this area with the views they expressed. As an output of all these activities, it is aimed to prepare a strong policy document to support the necessary transformation in the industries. In line with the 2053 net-zero emission target, Türkiye's Long-Term Climate Change Strategy (LCCS) and Action Plan preparatory work continued intensively in 2022 with the participation of stakeholders from all relevant industries. Besides, in 2022, the

details of the draft of the Climate Law and the Emission Trading System (ETS) became clearer. The Climate Law is expected to enter into force in 2023 and the ETS in 2024. Being an important stakeholder in the green transformation of the industry with its all business lines and subsidiaries, TSKB stands behind the legislation and strategy development activities performed and contributes to them. As part of this, in 2023 Escarus (TSKB Sustainability Consultancy) took part in two substantial projects of the T.R. Ministry of Industry and Technology and the T.R. Ministry of Energy and Natural Resources.

TSKB's Agenda in Line with Türkiye's Policies

As a supporter of the efforts to provide climate finance to Türkiye, TSKB keeps its strategy up-to-date with its relevant departments and various thematic working groups to better understand the needs of the real sector in terms of combating climate change and financing of compliance and maximize its contribution to the private sector as a development and investment bank. The Bank also canalizes its goals in this direction.

The issue of combating climate change and compliance is an important agenda item of the TSKB Sustainability Committee as well. As one of the biggest indicators of this, we became a signatory of the Net-Zero Banking Alliance (NZBA) established by the United Nations Environment Programme Finance Initiative (UNEP-FI) in the last quarter of 2022. Having committed to aligning its loan and investment portfolio with its zero-emission targets by 2050 within the scope of this signatory status, TSKB will maintain its support to its business partners and customers in all dimensions of the fair green transformation.

Climate Change and TSKB Risk Management

We evaluate the risks posed by climate risks on our Bank from the perspective of direct and indirect effects. Direct risks focus on the effects of climate change on the Bank's operations and activities, while indirect risks focus on the effects of climate change on the Bank's products and services, loan portfolio, and financials.

In response to the possibility that climate risks will turn into financial risks, the risks defined in the Bank's risk catalog are evaluated holistically and proactively within the scope of risk management activities. (See TCFD-Climate Risk Report P. 25)

We classify, monitor, and manage both the physical and transitional risks of climate change under various types of financial risks.



A

Refinitiv ESG score



7.9

Sustainalytics ESG Risk score

Taking into account our field of operation and the trading volume of our products, we anticipate that the main impact of climate change may arise from credit risks. In this context, we incorporate environmental risks, including climate change, which arise and are likely to arise from lending activities, into our Bank's risk appetite and management processes. In addition, we have concentration limits approved by the Board of Directors in order to monitor the current climate risk sensitivity.

We aim to deepen and use different techniques such as heat maps, stress tests, and scenario analyses in order to measure the risks that may occur within the scope of climate risks in the future.

TSKB at COP 27

We closely follow the Conferences of the Parties attended by the representatives of foreign countries, public and private sector players and a wide range of non-governmental organizations. We participated very actively in COP 27, as we did in previous Conferences of the Parties. We shared our experience, approaches and practices in climate change and finance with relevant parties at various events and platforms. We have closely followed the developments on the Paris Agreement targets, the inadequacy of climate finance so far, the new NDC targets of countries and our country, and climate risks and opportunities, and continued to integrate changing risks and opportunities into our targets.

SUSTAINABILITY INDEX

Borsa Istanbul Sustainability Index

Our Bank, which continues to be listed in the BIST Sustainability Index composed of companies with high corporate sustainability performances and whose shares are traded on Borsa Istanbul, was also included in the BIST Sustainability 25 Index created by Borsa Istanbul in 2022.

Refinitiv ESG Score

As a result of the improvements in the index evaluation process, we have raised our grade to A. Thus, we were ranked among the prominent institutions with our ESG performance and transparent reporting.

Sustainalytics ESG Risk Score

In line with our sustainability policies and practices, we completed the update of our Bank's ESG Risk rating for 2022 from Sustainalytics in November. Our ESG Risk Rating, published as of November 2022, was determined as 7.9 and our risk category was determined as "negligible risk." As of the date of publication, our Bank, which was ranked first among Turkish Banks, was ranked 12th among international development banks, 15th in the banking industry, and 60th among about 15,000 institutions evaluated by Sustainalytics.

Our Bank, which is the only Turkish institution listed in the list of Sustainalytics Top 50, has also been included in the list of best institutions in its sector and region.



Capitals



Intellectual and Manufactured Capital

Risks

- Data privacy
- Cyber security
- Adaptation to renewed technological developments

Opportunities

- Synergy with subsidiaries
- Use of robotic automation processes
- Software solutions
- Effective management of functional profitability
- Investment Banking solutions
- Consulting solutions

Associated Material Issues

- Digital Transformation and Agility
- Cyber Security and Data Privacy

2022 Key Indicators

9.52/10

TSKB Advisory Services
Net Promoter Score

466

Number of TSKB Economic
Research reports ✓

14,000

Number of books in TSKB
Library

28

The number of projects included
in the RPA process

80 TL million

Advisory to a lease certificate within
the scope of the SDG

535 TL million

Of green transition-oriented IPOs

2023 Targets



I1

In line with our mission as the Bank and its subsidiaries, **to continue contributing to impact-oriented studies** within the scope of medium- and long-term development goals with all relevant ministries and regulatory institutions and organizations



I2

Within the framework of Advisory Services, to support all kinds of investment strategies of our customers with financial, technical, and economic aspects, primarily energy investments for domestic consumption **within the scope of sustainability and green transition investments** within the scope of Green Deal, from the perspective of development banking



I3

Within the scope of Advisory Services; to contribute to our customers' **access to sustainable finance** with feasibility, financial, and technical reports



I4

To keep the **Net Promoter Score (NPS)** of Advisory Services 9/10 and above



I5

Under Investment Banking, to continue the issuance of **sustainable/green-labeled** debt instruments in the upcoming period



I6

To carry out the transformation of **IT system infrastructure** enhancing synergy and efficiency in all activity branches with the latest technologies



I7

By placing digitalization at the center of the business model, to increase end-to-end digital solutions, improve user experiences, ensure the automation of the processes determined within the scope of Robotic Process Automation (RPA), and **provide approximately 4 FTE earnings with 72 RPA processes** waiting in the pool within this scope



I8

To gain 200 people/day in activities with artificial intelligence document reading operations



I9

To publish Climate Review reports quarterly in Turkish and English for the purpose of drawing attention to climate change and raising awareness level with current developments.



I10

To make 18 publications/presentations on climate, development and macroeconomics within the scope of the media, within the bank and advisory to raise awareness.



I11

To increase the number of projects we carry out by 6%, the number of institutions contacted for bidding by 10%, and the number of proposals submitted with the budget by 5% with our subsidiary **Escarus**, which provides sustainability advisory services



I12

To be in the top 10 with our Real Estate Appraisal subsidiary in the industry, acquire 200 new customers, and have a conversion rate of incoming requests to contracts at 60%

Capitals

Intellectual and Manufactured Capital

2022 Targets

2022 Targets	Realizations in 2022
Under TSKB Advisory Services, it is aimed to create investment strategies for customers in 2022 from a development banking perspective.	Within the scope of directing the investment strategy decisions and supporting the decision-making processes of our customers; our services for sector reports, feasibility studies, valuation studies, technical and financial advisory have been offered.
Under TSKB Advisory Services, it is aimed to issue feasibility reports for customers' applications for access to finance in 2022.	This target has been achieved and ever-increasing support has been given to our customers in the processes of benefiting from public support and incentive mechanisms.
It is aimed to keep the Net Promoter Score (NPS) of TSKB Advisory Services at 9 and above.	The average satisfaction score of our customers whose advisory services were completed in 2022 and whose satisfaction survey was carried out in respect of the service provided, was 9.52.
Under Investment Banking, we aim to continue the issuance of sustainable/green-labeled debt instruments in the upcoming period.	We acted as an intermediary for the issuance of lease certificate of 80 million TL of our customer Zorlu Enerji within the scope of the SDG.
Within the scope of Investment Banking, we will carry out activities focused on green transformation in equity market transactions instruments.	We intermediated the green transition-oriented IPO of our customer Smart Güneş Enerjisi Teknolojileri amounting to TL 535 million.
Digitalization will be put at the center of the business model to multiply end-to-end digital solutions, improve user experiences, and automate the processes identified under Robotic Process Automation (RPA).	In 2022, we included 28 processes in RPA studies and achieved a gain of 9.48 FTE.
In the 2 years, it is aimed to transform the synergetic and efficiency-increasing digital IT system infrastructure in all business lines with the latest technologies.	We continued the development of applications, the studies on application modernization and digitalization in accordance with the sustainable information technologies strategy plan of our Bank by using new technologies.
Under the Green Swan Platform, we aim to publish a new Climate Review report every quarter in 2022 to draw attention to climate change and raise awareness of current developments.	We published Climate Review report quarterly , 4 in Turkish and 4 in English, in 2022 on the themes of in water, forest and soil, heat waves, and air pollution. 
Escarus aims to increase the number of ongoing projects to 70, the number of companies contacted to submit proposals to 140, and the number of proposals submitted with its budget to 120; and to conduct business in each of its products under 18 categories in 2022.	Escarus carried out 94 projects and increased the number of companies contacted to 214 , the number of proposals submitted with its budget to 162 , and conducted business in each of its products under 19 categories in 2022.
In 2022, Real Estate Appraisal aims to be in the top 10 in the industry, to acquire 200 new customers, and to have a conversion rate of incoming requests to contracts at 60%.	Real Estate Appraisal ranked 25th in the sector in 2022 based on the number of reports and 15th based on turnover. In 2022, 240 new customers were acquired and the rate of incoming requests to contracts was 59%.

WE, AS TSKB, ESTABLISH STRUCTURES THAT WILL SECURE ALL IT ASSETS, INCLUDING EMPLOYEES, PROCESSES AND TECHNOLOGIES IN ORDER TO ENSURE BUSINESS CONTINUITY SECURELY AND FOCUS ON BUSINESS GOALS.

INFORMATION SECURITY AND DIGITALIZATION

We, as TSKB, establish structures that will secure all IT assets, including employees, processes and technologies in order to ensure business continuity securely and focus on business goals. The Bank aims to constantly monitor new and advanced security systems to implement the most effective security solutions.

Information security policy and standards are set in compliance with the national/international regulations, standards and good practices as per the Bank's strategy.

In 2021, we obtained the ISO 27001 certificate for the purpose of evaluating and documenting the adequacy of the Information Security management system by an expert institution. In 2022, we reviewed the corrective actions related to nonconformities written as part of ISO 27001 audits conducted periodically and ensured that they were implemented effectively. No new nonconformity was detected during the audits subsequent to the regulations and revisions.

In order to detect any security risks, the information security teams conduct regular security vulnerability scans, while independent auditors carry out annual penetration tests, cyber drills, and information systems process audits in compliance with BRSA regulations.

In 2022, we performed real attack drills as part of the security tests in order to be prepared in response to cyber incidents and to test the adequacy of the security monitoring service. We continue to work on the improvement points identified as a result of cyber drills.

In addition, we updated the scope of the vulnerability scanning, which was performed to detect and fix security vulnerabilities of the system before any ill-usage, and made improvements in the technical infrastructure.

Audit studies were conducted by the consulting company in order to determine the compliance of SWIFT infrastructure and the relevant processes to SWIFT Customer Security Program (CSP), and our infrastructure and systems were verified for the relevant standards.

We conducted survey studies, and followed up the results in order to measure the satisfaction levels of employees regarding the services provided by the Information Technologies Units.

We aim to focus on fortifying our existing processes in 2023. In line with data leak prevention improvements, we plan to review the system, regulate existing rule sets to create fewer faulty cases, add new rule sets in line with current risks, and hold awareness trainings. We aim to review the scenarios used in the security tests and expand their scope. With the planned security solutions, we aim to further reinforce the existing processes and technical infrastructure.

Capitals

Intellectual and Manufactured Capital

WITHIN THE SCOPE OF ROBOTIC PROCESS AUTOMATION, WE CONTINUED THE AUTOMATION OF MANUAL OPERATIONAL WORKS BY HANDLING A TOTAL OF 28 ADDITIONAL PROCESSES IN 2022. WE INCREASED THE EFFICIENCY OF OUR EMPLOYEES BY GENERATING GAIN OF AROUND 9.5 FTE WITH THE WORK PERFORMED.

The human factor plays a significant role as technical measures in ensuring security. The information security policy and standards we set aim to spread the security culture across the institution so that the security responsibility is shared with all employees. Accordingly, we provide training to stakeholders, carry out awareness campaigns, and perform phishing attack simulations to raise awareness on information security.

In this context, in addition to our employees, we expect compliance and awareness from our suppliers. We conduct risk assessments of our suppliers, regularly monitor their performance, include information security clauses in agreements, and mandate our suppliers who have access to the Bank's network to complete information security awareness training.

Our Bank works simultaneously on numerous strategic, information technologies and process digitalization projects.

In 2022, within the framework of goals set in the Bank's strategic plan, we carried out projects in areas such as lending, decision support systems, marketing, theme and product development and prioritized studies on digitalization.

In order to further benefit from acquisitions of agile management, we created permanent agile teams at IT in 2021. We received consultancy for these function-based agile teams and provided coaching for the teams in 2022. We ensured that business unit agile representatives and IT agile teams worked through a holistic and agile project management.

Within the scope of Robotic Process Automation (RPA), we continued the automation of manual operational works by handling a total of 28 additional processes in 2022. We increased the efficiency of our employees by generating a gain of around 9.5 FTE with the work performed. By putting digitalization at the center of the business model in 2023, it will be ensured that end-to-end digital solutions are increased, user experiences are improved, and processes' determined as part of the RPA are automatized.

In 2022, we analyzed opportunities by following the studies in the areas of data, advanced analytics, and artificial intelligence, and determined the actions to be taken to meet the goals and needs of business units. We made investments in our employees and the technology in order to further benefit from data analytics effectively. We initiated studies to train employees about data analytics and to democratize data throughout the Bank. Using artificial intelligence and machine learning methods, we conducted invoice and document reading studies to save time for the various departments.

In this period, we carried out activities on Electronic Signature and Automatic Document Sending with the principle of paperless banking.

In line with our mission of being a pioneer in sustainability, we developed a new platform where processes, procedures and responsibilities can be more easily managed to achieve the targets for the collection of environmental, social and financial data in scope of our Sustainable Management System (SMS). We have developed software solutions by attaching great importance to digitalization studies for monitoring the effects of business processes on the environment and society, calculating greenhouse gas emissions, conducting Scope 1,2 and 3 emission analyzes, strategy development, reporting, auditing and certification studies. TSKB and Escarus will continue their efforts to transform their knowledge and experience on sustainability into a product for the real sectors.

With regard to loan activities, we started works to offer a digital solution that meets the needs of users and provides a simple experience and integrated access. We continue our efforts to simplify loan applications and processes and to ensure faster and more effective execution of application, allocation, contract, disbursement, monitoring and collection processes within a systematic program.

We continued modernization works in the main banking applications. We made developments in the “Early Warning System” which contributes to the activation of the credit process while adding new functions and features to the application “Follow-up System of the Inspection Board” where end-to-end finding follow-up can be made. We made frontend and infrastructure changes in the business flow application by using new generation web technologies in line with IT strategy, and revised certain business flow forms. We aim to complete transformation process of business flow forms in 2023.

In this period, we carried out the necessary infrastructure and R&D studies to move applications into container technology, and also moved certain pilot applications into these platforms. We reached the last phase of transforming all the IT infrastructure with the latest technologies and moving the main data center into a more professional data center in 2022. We completely renewed server, data storage, back-up and firewall infrastructures. An infrastructure was prepared for virtual desktop solutions to ensure that users with special authorization work more securely. We plan to complete the efforts of making the infrastructure more popular by the end of the year.

As part of business continuity, we performed studies focusing on compliance with legislation and awareness.

We will continue investments in business model and digital infrastructure in 2023. We aim to make a pilot study on organizational agility for business units to benefit from the advantages of agile method alongside ensuring simplification and digitalization in the determined business processes.

We will continue digital transformation with the studies to be carried out in areas such as robotic technologies, data analytics, automation, and digitalization through using technological opportunities. We will carry out strategic projects, digitalization, and innovation studies in line with our Bank’s strategy. We will continue the digitalization studies with the paperless banking principle.

As part of the Data Analytics Program, we will continue studies in the areas of single data source, effective use of data in data-based and agile decision-making processes, and training employees on data analytics throughout the organization. Data warehouse modernization studies initiated as a part of the data analytics project in 2022 will be continued by adding the credit model as well in 2023.

In 2023, we will continue to work on the development of the credit application, which is user-friendly, has simpler processes and displays, is visually powerful, and where all kinds of loan data can be accessed and managed more easily.

Digitalization will be put at the center of the business model, and the processes identified under RPA will be automatized to increase end-to-end digital solutions and improve user experiences. Besides, studies initiated in the areas of AI and machine learning will be continued increasingly.

We will continue making applications ready for open banking and cloud systems by using service-based application development methods, developing applications in line with our Bank’s sustainable information technologies strategy plan by using new web technologies, and application modernization works in 2023.

We will evaluate Low-Code developing platforms for the modernization of applications not included in main banking which does not require too much coding. We will continue the efforts to move application into container platforms.

Capitals

Intellectual and Manufactured Capital

OUR ECONOMIC RESEARCH PUBLICATIONS NOT ONLY PROVIDE SUPPORT TO OUR FUNDING, LENDING, ADVISORY, TREASURY, MARKETING AND PROMOTIONAL ACTIVITIES, BUT ALSO ACT AS A CRITICAL TOOL IN SHARING INFORMATION WITH ALL NON-BANK STAKEHOLDERS.



466

Number of Economic Research reports in 2022 

TSKB Advisory Services

Under financial advisory, we assist our clients in financial planning and strategy, feasibility, restructuring, valuation, financing advisory and industrial analysis. Under technical advisory, we provide technical due diligence, feasibility, industrial transformation, energy/resource efficiency and project-based incentive reporting services. Under economic research, we offer advisory services on macroeconomics, export strategy and sustainable development analytics.

Some of the services shaped by the concept of an advisory bank are offered through synergetic collaborations with the subsidiaries, TSKB Real Estate Appraisal Company Inc. and Escarus. Our Bank guides domestic and foreign investors with its visionary advisory services in the field of real estate. Our Bank also provides niche solutions in the integration of the globally recognized approaches to sustainability into the Turkish business world.

In 2022, revenue of advisory services increased compared to the previous year. With strength of our delivery of multidisciplinary services, our Bank is committed to improving its advisory services and providing its experience and know-how to an increasing number of clients in the upcoming period. We will continue to diversify our support for sustainable and strong development in the following period.

TSKB ECONOMIC RESEARCH

TSKB Economic Research is the umbrella brand of the Bank's core business.

Our specialized Economic Research Team publishes reports on development, macroeconomics and financial markets and makes presentations on the internal and external activities of the Bank.

TSKB's Economic Research publications not only provide support to the Bank's funding, lending, advisory, treasury, marketing and promotional activities, but also act as a critical tool in sharing information with all non-bank stakeholders.

The TSKB Economic Research produced 466 publications in 2022.

Periodicals published by TSKB Economic Research include the following:

- **TSKB Daily Bulletin**, which includes evaluations shared on daily news summaries in macroeconomics and development on the agenda,
- **TSKB Weekly Bulletin**, which includes economic and non-economic developments of the previous week with a brief review of the new week,
- **Macro View**, which includes reviews and evaluations of macroeconomic data,
- **New Month**, which includes highlights of the next month's economic calendar, an analysis of important events in the Turkish and global economy, studies from the development economics agenda.
- **Climate Review**, which follows the agenda on climate change and is published quarterly,
- **Energy Bulletin**, which discusses developments in the energy industry and is published monthly.

	Number of issues
TSKB Daily Bulletin ✓	252
Daily evaluations in macroeconomics and development	
Macro View ✓	90
Analysis and evaluation reports on macroeconomic data within the calendar	
TSKB Blog ✓	21
Short articles with analyses and comments on the development agenda and macroeconomic developments	
Energy Bulletin (Turkish and English) ✓	24
Developments in the energy industry on a monthly basis	
TSKB Theme Look (Turkish and English) ✓	8
Analyses focused on structural issues, where development and macroeconomic perspectives intersect	
New Month ✓	12
Highlights in the next month's economic calendar, analyses of important events from Türkiye and the world economy, studies from the development economics agenda	
Climate Review (Turkish and English) ✓	8
A study providing an up-to-date summary of the climate change agenda	
TSKB Weekly Bulletin ✓	51
Reports that include economic and non-economic developments of the previous week with a brief review of the new week	
Total	466

TSKB Theme Look publication category includes studies that serve as reference reports on macroeconomics and development. These studies contribute to the diversification of funding and the development of themed loans, also creating value by addressing the Turkish economy from a macro and development perspective.

In this respect, we published a study named *“Deepening Gender Inequality in a Transforming World”* in which we addressed the risks posed to women by the pandemic, digitalization, and climate crisis from a gender equality perspective. Moreover, we elaborated on our study named *“Children Are Ours”* from the perspective of childcare services and preschool education gender.

As TSKB Economic Research, we shared our COP27 observations considering the point that climate crisis reached in 2022, its position in the global policy agenda, and the developments in the area of climate diplomacy. Within this scope, we evaluated the developments in COP27 by including the development perspective in the publication named *“We Went, We Saw, We Wrote: Our Cop27 Impressions.”*

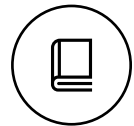
In these publications, we continued to attach special importance to the discussions on the climate crisis and the European Green Deal in 2022, as we did in 2021. We offered insights into the latest developments in the European Green Deal with the study named *“Deal? The Latest Developments in the European Green Deal and Green Transformation.”*

TSKB Economic Research addressed the economic and social impacts of air pollution as a global problem in its report named *“Don't take my breath away”* which was shared with international development finance institutions and national policy-makers.

Capitals

Intellectual and Manufactured Capital

WITHIN THE SCOPE OF CIRCULAR ECONOMY AND SUSTAINABILITY, SECTORAL AND TECHNOLOGICAL ADVANCEMENTS AND INVESTMENTS WERE FOLLOWED CLOSELY, AND INTERNAL AND EXTERNAL REPORTS WERE ISSUED REGULARLY.



14,000

Number of books in
TSKB Library

Climate Review

“Climate Review” includes global and national developments on the climate crisis, actions taken by governments in the fight against the climate crisis, as well as the analyses enriched with subject-specific data. Published in 2020 for the first time, “Climate Review” covered the themes of water, forest and soil, heatwaves, and air pollution in 2022. It will continue to be published each quarter in 2023, available both in Turkish and English. [Please click](#) to access Climate Reports.

Energy Bulletin

Published monthly in Turkish and English, the Energy Bulletin contains analyses and developments related to the energy industry. It will continue to be published on a monthly basis in 2023, available both in Turkish and English. [Please click](#) to access Energy Bulletins.

NEW THEME WORKING GROUP

In 2022, we maintained transparent and efficient communication through content that aligns with our fundamental principles and is consistent with our mission.

The Funds Management Committee and sub-working groups convened regularly to provide its internal stakeholders with updates regarding the funds availability analysis of the potential project pool that it coordinated, as well as the current projections for disbursement and new funds procurement.

As part of theme development activities, the New Theme Working Group, which was established as a sub-unit of the Funds Management Committee, as well as the affiliated sub-working groups on European Green Deal, Circular Economy and Adaptation to Climate Change continued their works in 2022 with the contribution of the Bank’s different disciplines and in consideration of general strategic priorities of resources and our country’s development needs. Created with the efforts of theme groups and communicated with external stakeholders, the reports were updated with developments in 2022, and theme update reports were prepared.

Contributions were made to resource procurement by selecting new themes if required in parallel with current global developments, adopting a structure based on developments in the field through coordinated works, and maintaining the guiding information flow directly to resources. Within the scope of circular economy and sustainability, sectoral and technological advancements and investments were followed closely, and internal and external reports were issued regularly.

ENERGY WORKING GROUP

Established in 2018, TSKB Energy Working Group (TSKB EWG), with its 18-person team, aims to transfer TSKB’s know-how in economic research, engineering and finance disciplines, acquired in the energy industry over the years, to both other relevant departments within the bank and external stakeholders. TSKB EWG analyzes the energy industry within its *“Energy Outlook Report”* published on a yearly basis in Turkish and English since 2018. With the report we published in December under the title “Energy Outlook 2022,” we inform the stakeholders on the developments in Turkish energy sector with a holistic perspective. Moreover, special themes in the energy sector are reviewed and reported by TSKB EWG. In 2023, TSKB EWG will continue to communicate its experience with other relevant departments within the Bank as well as with external stakeholders.

TSKB BLOG

Based on our 72 years of know-how and experience, the TSKB Blog communicates economic and industry based developments through the eyes of the Bank's specialists, and shares new articles and current topics to its followers.

We share our know-how and experience in different areas such as macroeconomics and the development agenda along with sustainability and inclusion with a wide group of stakeholders, especially the business world and future managers on the TSKB Blog.

In addition to the economic and financial agenda, the TSKB Blog also includes articles about international trends such as climate change, water efficiency, food safety, digital transformation, industry 4.0, low carbon economy, green transformation, and social development. Aiming to scrutinize the development agenda, the TSKB Blog also sheds light on the rapid transformation in different industries.

The content of the TSKB Blog is also available through the TSKB social media accounts. The TSKB Blog articles are written in a wide range of fields such as development, sustainability, engineering, technology, energy, and tourism. In 2022, blog articles on 38 different topics were posted on the TSKB Blog.

TSKB LIBRARY

Launched in 1971, the TSKB Library is a specialized library with approximately 14,000 volumes and more than 100 periodicals and electronic database subscriptions. It offers national and international literature to researchers, especially university students and academicians.

TSKB Library contains many special collections on gender studies, sustainability and the history of Istanbul. It also includes collections of literature, politics, history, and personal and professional development. Collections are systematically developed in line with TSKB's focus areas.

TSKB Collection

- Specialty Collection (Economics, Finance, Banking)
- Sustainability Collection
- Women's Research Collection
- Literature, History, Politics Collection
- Law Collection
- İstanbul Collection
- Professional and Personal Development Collection
- Children's Library

Following the architectural renovation in 2019, the TSKB Library now aims to provide better service to all interest groups in order to connect with TSKB's tradition and history of expertise, and to create a space for sharing and creativity for employees.

COLLABORATIONS WITH PUBLIC INSTITUTIONS

Thanks to our strategic collaborations with policy makers, public institutions and regulatory authorities under our mission, we:

- contribute to sustainable development,
- create diversity of funds,
- serve as a bridge between the private and public sectors,
- contribute to the development of the market and legislative work.

The works we carry out as part of our memberships in national and international associations and initiatives support our capacity building and awareness-raising activities, and make positive contribution to our brand value and brand recognition.

OUR BANK'S CONTRIBUTION TO THE "BANKING SECTOR GOOD PRACTICES GUIDE ON THE PROTECTION OF PERSONAL DATA"

A working group, to which our bank directly contributes, has been established in order to present the procedures and principles to be followed and the obligations to be fulfilled as per the Personal Data Protection Law during the processing of personal data at the TBB with examples of good practices specific to the banking sector and to ensure unity in practice. As a result of these studies, "Banking Sector Good Practices Guide on the Protection of Personal Data" was prepared and published by the Personal Data Protection Authority in August. We will continue to support and contribute to efforts to improve banking service quality in every area where personal data comes into contact with the banking sector.

MEMBERSHIPS AND WORKING GROUPS

We are a member of domestic and international associations and initiatives, which operate in fields related to our strategy, activities and goals. We take active roles in these associations and initiatives, sharing our experience and establishing close relations and collaborations with numerous institutions.

TSKB's participation in national and international initiatives contributes not only to the brand value of our Bank but also to the developments in the field of sustainability in our country. These memberships offer the opportunity to communicate and establish a relationship with stakeholders from different regions and cultures, and contribute to the promotion of Türkiye on different platforms, especially when an organization from Türkiye participates for the first time.

TSKB assumes working group leadership and similar duties in some of the organizations which it is a member of.

Capitals

Intellectual and Manufactured Capital

INITIATIVES LED AND WORKING GROUPS PARTICIPATED BY TSKB

Institute of International Finance (IIF)

- Working Groups
- Sustainable Finance

International Development Finance Club (IDFC) Board Member

- Working Groups
- Gender Equality (Co-chair)
 - Biodiversity Working Group
 - SDG Mapping Working Group
 - Refugees Working Group

Foreign Economic Relations Board (DEIK) Energy Business Council

Integrated Reporting Association Türkiye

- Board Member
- Working Groups
- Climate Change, Environment and Sustainability (Co-chair)
 - Sustainable Finance
 - Improvement of Investment Environment

Impact Investment Advisory Board (EYDK)

- Advisory Board Membership
- Working Groups
- Corporate Communications
 - Impact Partnerships
 - Sustainable Development and Policies
 - Capacity Building

Business Council for Sustainable Development Türkiye (BCSD Türkiye)

- Board Member
- Working Groups
- Sustainable Finance and Risk Management
 - Women's Employment and Equal Opportunity
 - Sustainable Industry and Circular Economy
 - Transition to Low Carbon Economy and Efficiency
 - Sustainable Agriculture and Access to Food

Corporate Governance Association of Türkiye (TKYD)

- Board Member
- Working Groups
- Capital Markets Working Group and BIST Corporate Governance Index
 - Board of Directors
 - Studies on Integrated Reporting
 - Corporate Governance in Family Businesses

Turkish Industrialists and Business People Association (TÜSİAD)

- Working Groups
- Economics and Finance Roundtable
 - Industry Policies Roundtable
 - Social Policies Roundtable
 - Development Policies Roundtable
 - Energy and Environment Roundtable

Turkish Investor Relations Society (TÜYİD)

- Working Groups
- Green Financing
 - Sustainability

UN Global Compact Türkiye

- Working Groups
- Sustainable Finance
 - Gender Equality
 - Environmental Studies
 - Diversity and Inclusion

NATIONAL AND INTERNATIONAL STATEMENTS WE HAVE SIGNED

Institution	Statement Signed	Signature Date
UNEP-FI	Net-Zero Banking Alliance (NZBA)	2022
CEB - AFD	Social Investment Coalition – Social Investment Statement	2021
Global Compact TR - BCSD Türkiye- TÜSİAD	Business Plastics Initiative	2021
IDFC - WDFI	Gender Equality, Biodiversity, Climate Change Statements	2020
IDFC	Gender Equality and Gender Equity Declaration	2019
UNEP-FI	Founding signatory of the UNEP-FI Principles of Responsible Banking	2019
KAGİDER	Equal Opportunities Model (FEM) Certificate	2018
Global Compact	UN Global Compact Türkiye - Declaration of Sustainable Finance	2017
WEPs	Women's Empowerment Principles	2015
UN Global Compact	United Nations Global Compact	2010
GRI	Sustainability Reporting Standards	2010
CDP	Carbon Disclosure Project	2007

TSKB REAL ESTATE APPRAISAL

Long-standing experience with wide service network

With appraisal specialists under the leadership of responsible surveyors authorized by the CMB, TSKB Real Estate Appraisal provides appraisal services in a wide range of areas, including lands, business centers, factories, shopping malls, hotels, logistics facilities, fuel stations, and power plants. TSKB Real Estate Appraisal has issued approximately 270,000 appraisal reports in the last 10 years. TSKB Real Estate Appraisal celebrates its 20th anniversary this year, and continues to add new experiences to its extensive range of services.

In addition to appraisal reports for guarantee and special purposes, the Company completed around 40 best and most efficient usage analyses and project appraisal cases in 2022, together with high-quality works such as appraisal of real estates to be purchased and sold, solar power plant and natural gas cycle power plant appraisal, resource appraisal and pre-IPO portfolio appraisal.

One of a select few appraisal companies in Türkiye to hold three different licenses

In addition to being authorized by the CMB and BRSA, TSKB Real Estate Appraisal is one of the leading companies in the industry operating with three licenses in Türkiye, having obtained the RICS license, which provides international service assurance.

With employees licensed by MRICS, Appraisal Institute, LEED Green Associate for appraisal and consultancy services, the Company prides on its staff having the highest number of international licenses in Türkiye. Moreover, TSKB Real Estate Appraisal is the first appraisal company in Türkiye to become entitled to receive ISO 9001:2008 Quality Certificate. The company also holds ISO 9001:2015 Quality Management System Certificate.

Targeting to position itself in the top five league of the sector

In 2022, TSKB Real Estate Appraisal continued to provide its business partners with professional support to manage their real estate and machinery investments, and offer appraisal and consultancy services by closely following changes in real estate investment trends in the last two years.

Achieving real growth in 2022, TSKB Real Estate Appraisal continued to carry out all operations with a focus on its employees, and received “Happy Place to Work” in addition to its current awards.

The company aims to expand its staff and maintain its growth in 2023 in order to be among the top 5 companies in the appraisal industry by 2025.

Key Memberships

- **Equal Opportunity Certificates:** Maintaining its development in the social sphere with its policies supporting the gender equality, TSKB Real Estate Appraisal was awarded two different Equal Opportunity Certificates.
- **RICS:** TSKB Real Estate Appraisal is one of first companies in Türkiye to hold RICS membership.
- **USGBC:** TSKB Real Estate Appraisal has been the only appraisal company from Türkiye to be a member of the USGBC since 2016.
- **LİDEBİR:** Membership to LİDEBİR, a sectoral association established by companies in the CMB list.

In addition to being authorized by the CMB and BRSA, TSKB Real Estate Appraisal is one of the leading companies in the industry operating with three licenses in Türkiye, having obtained the RICS license, which provides international service assurance.

Capitals

Intellectual and Manufactured Capital

ESCARUS CONSIDERS SUSTAINABILITY AS A CONCEPT WHICH AFFECTS SOCIETY AND THE ECONOMY AS A WHOLE, GOING FAR BEYOND THE ENVIRONMENT AND CLOSELY RELATED ISSUES.

ESCARUS (TSKB SUSTAINABILITY CONSULTANCY A.Ş.)

Brand value strengthened by global projects

Escarus serves a wide geographical region including international markets as well as Türkiye. Having executed around projects in various countries including Africa, Eurasia and Middle East (Azerbaijan, Cameroon, Qatar, Kenya, Congo, Lebanon, Egypt, Senegal) and completed around 250 projects for over 150 customers, Escarus has been taking firm steps forward in line with its aim to become a consultancy company that gets beyond the boundaries with its services.

Escarus predominantly carries out projects with private companies. In addition, the Company diversifies its customer base every year and gains project experience in different geographies in line with its aim of providing services to public institutions and international organizations.

Coordination of numerous projects in different disciplines

Elected as a member of the “ICMA Green Bond Principles (GBP)” Advisory Board and Working Groups in 2019, ESCARUS was re-elected for the Board in 2021 and 2022 as well. It is the only Turkish company which aims to provide a broader perspective on green, social and sustainable bond markets.

Escarus runs several projects in various disciplines. In addition to the strategic sustainability-based projects, it also carries out technical evaluation for export loans, environmental and social assessment and monitoring, strategic analysis, industry-based and thematic analysis

works. Having played an active role in the preparation of CDP reports, TCFD reports, sustainability reports and integrated reports, Escarus takes pride in having successfully completed numerous reference projects including Gender Equality Program Certification (CEPS) and sustainability-focused training with a sense of social responsibility.

Escarus considers sustainability as a concept which affects society and the economy as a whole, going far beyond the environment and closely related issues. Therefore, the Company addresses sustainability in a wide perspective outlined in compliance with the SDGs, and shapes its fields of activity accordingly.

OUTSTANDING PROJECTS IN 2022

AFD and VakıfBank - Environmental and Social Risk Management System and Gender Equality Program Certification (CEPS)

As part of the project, Escarus set up an Environmental and Social Risk Management System for use in VakıfBank lending processes. Based on the assessments conducted, system set-up was completed for determining, evaluating, managing, monitoring and reviewing environmental and social risks and impacts in projects for which VakıfBank extends loans. Training sessions and capacity building studies were held at the end of the project to ensure successful implementation of the system. Moreover, VakıfBank was given a CEPS certificate following activities for the assessment and development of corporate gender equality practices.

World Bank and VakıfBank - Environmental and Social Assessment Processes for Pandemic Support Loan

For the Pandemic Support Loans extended by the World Bank to VakıfBank, an environmental and social assessment methodology was developed with the consultancy of Escarus, and environmental and social technical assessments were conducted for the loan applications received.

EBRD and Republic of Türkiye Ministry of Industry and Technology - Low Carbon Road Map for Turkish Steel Industry

In order to reduce the carbon emissions of Turkish steel industry, a political-legal gap analysis and road map study were conducted in the project, in which Escarus took part as a partner. The models and scenarios developed in the project aimed to define the legal status and political environment for the steel industry in Türkiye.

World Bank and Republic of Türkiye Ministry of Energy and Natural Resources - Support Project for the Preparation Works of Energy Efficiency 2030 Vision, Strategy and the 2nd National Energy Efficiency Action Plan (NEEAP)

Preparation works of the new NEEAP, expected to be announced at the end of 2023, were carried out by Escarus with the World Bank's support. As part of the project, data and information were collected through workshops in different provinces of Türkiye, and stakeholders' opinions were compiled and reported. Approximately 980 people participated in 9 workshops that were held in 6 different cities in 2022.

Banks Association of Türkiye - Sustainability Consultancy Project

As part of the project, a current state analysis was conducted and an action plan was created to develop the sustainability approach of Banks Association of Türkiye. A sustainability report to inform the stakeholders on corporate sustainability practices and a sectoral outlook report showing the current status of sustainability practices in the Turkish banking sector are being prepared within the scope of the ongoing project.

IC Holding - Sustainability Management System and Sustainability Report

As part of the project, prioritized sustainability focus areas of IC Holding were identified, and a governance structure was set up for following, improving and reporting sustainability at the Holding and its affiliated companies. Moreover, studies for a sustainability report covering IC Holding's previous activities and future objectives were carried out with the consultancy of Escarus.

Escarus in 2023

Pursuant to its targets for 2023, Escarus aims to strengthen its domestic consultancy structure with a global stance to be able to respond to the needs of public and private organizations at home and abroad, to share its knowledge, to increase the export of services to enable organizations relying on foreign funds in particular to create maximum value from these funds.

In 2023, Escarus plans to deliver sustainability-oriented technical, environmental, social and managerial consultancy services to wider segments, to operate with an understanding that places sustainability at the heart of all technical and financial solutions, and to expand the number of projects, and its sphere of influence.

ESCARUS 2023 TARGETS

- Increasing the cooperation developed with public institutions, international organizations and non-governmental organizations, thus contributing to the deepening of sustainable development policies throughout the country,
- Developing pioneer and innovative approaches in the field of inclusive sustainable development with diversified sustainable finance products and consultancy projects,
- Continuing to support the sustainability journeys of companies in line with the aim of strengthening the positive impact created by private sector companies,
- Continuing to provide advisory services to other financial sector players in Türkiye and around the world in order to expand the experience gained in the field of responsible banking,
- Increasing the number of stakeholders reached with renewed training content within the scope of awareness and capacity building activities focused on sustainable development.

Capitals



Social Capital

Risks

- Gender and opportunity inequality
- Increasing inequality in welfare
- Changing stakeholder expectations

Opportunities

- Stakeholder capitalism
- Supporting developing regions
- Employment of vulnerable groups
- Awareness studies

Associated Material Issues

- Employee Loyalty, Employee and Human Rights

2022 Key Indicators

195

The number of contents published on the #EqualSteps platform

335 SMEs and additional employment for 370 people in the last 3 years

APEX Loans

180

Number of female students provided with scholarships to date

27.9%

Improvement in company capacities within the scope of gender equality and women's empowerment ✓

53

The number of students supported by the Women Stars of Tomorrow project

85

The number of companies to which the Gender Equality assessment tool has been applied ✓

2023 Targets

**S1**

To implement impact-oriented projects structured in accordance with the mission of our Bank, as a tribute to the 100th Anniversary of the Republic.

**S2**

To complete the **brand perception analysis** we have created for all stakeholders with the aim of increasing the awareness and impact we have created in our communication activities

**S3**

To create a **brand communication strategy** by conducting gap analyses within the scope of the 75th anniversary of our Bank

**S4**

To include digital publications, within the scope of the TSKB Sustainability Library, in the collection and make them available to stakeholders

**S5**

To develop an **evaluation tool for measuring social impact** in financed projects

**S6**

To integrate a **gender equality perspective** into the Bank's loan evaluation processes in order to raise awareness in the real sector.

**S7**

To organize training for the financial sector **in line with the gender bias analysis outputs** made in 2022

Capitals

Social Capital

2022 Targets

In compliance with the “Coalition for Social Investment Declaration” that we signed last year, we aim to raise awareness by strengthening cooperation on Social Investment.

We are planning to increase social investment-oriented activities with the employment of a Social Expert.

We aim to integrate a gender equality perspective into the Bank's loan evaluation processes in order to raise awareness in the real sector.

We aim to conduct a gender bias analysis in the financial industry and to hold relevant training.

We aim to follow up customized gender equality action plans on the basis of IDFC member organizations.

We aim to implement evaluation tools and provide various support mechanisms to at least 75 companies within the scope of our gender equality and women's empowerment loans.

As a result of the action plans set for gender equality and women's empowerment, we aim to achieve 20% improvement in the average score of companies in the next 3 years (2021- 2023).

We aim to hold an awareness seminar on inclusion and equal opportunities for university students.

We aim to establish and publish a Sustainable Communication Policy.

We aim to sponsor an international publication on sustainable banking.

We aim to sponsor a local award program in the field of sustainability.

Realizations in 2022

In addition to our environmental focus, our **socially-oriented investments** continued to strengthen during the year with both lending activities and social responsibility projects.

A Social Expert joined our team in 2022.

In 2022, **we have added special surveys, which focus on measuring gender equality practices**, to the activities we carry out to increase awareness in the real sector. The survey was shared with our Bank's customer portfolio.

Gender Bias Analysis survey has been completed. The training will be organized in line with the survey outputs in 2023 as well.

Within **the scope of the IDFC Gender Equality** study, our Bank was analyzed from a gender equality perspective by the Frankfurt School of Finance and Management along with other participating members. As a result of this analysis, **an increase in intra-bank capacity was achieved with the proposed action plans.**

We applied the evaluation tool to 85 companies in total. ✓

As a result of the action plans, **a 27.9% improvement was recorded** in the capacities of the related companies. ✓

Within the scope of the Turkish Education Foundation's 'Empowerment-through-Education Scholarship Fund', we organized the 'Inspiring Meetings' on February 10, 2022, with the participation of social gastronomy chef Ebru Baybara Demir as a guest speaker. About 500 TEV scholars participated in the event.

The TSKB Responsible Communication Policy has been published by the decision of the Board of Directors on July 28, 2022.

The book 'Financing Our Common Future' written by Regis Maradon was published in Türkiye with a Turkish translation under the sponsorship of AFD.

We became the sponsor of the **"Sustainability Leaders 50" research list** prepared annually by **Fast Company Magazine** based on the sustainability efforts of companies.

SOCIAL VALUE

Long term responsibility projects strengthen our Bank's social capital.

We adopt sustainability and inclusiveness as our main business model for the qualified development of Türkiye. We support investments that produce environmental and social impact. In addition, we reinforce the total value generated through long term social responsibility projects, defined as an integral part of our business model.

In parallel with our mission of supporting Türkiye's sustainable and inclusive development, we implement various awareness, development, education, culture and arts projects on climate change, low carbon economy, women's participation in production and equal opportunity.

With these projects, we make a concrete contribution to increasing good practices in the business world, touching more people's lives, and developing a production ecosystem that protects the environment.

Our Bank's social capital reaches more stakeholders through collaborations and experience sharing platforms.

SUSTAINABILITY PROJECTS

www.cevreciyiz.com

We launched www.cevreciyiz.com in 2007 as our first sustainability project. Celebrating its 15th year, www.cevreciyiz.com offers a diverse range of content on different topics, including sustainability-related business ideas, environmentally friendly innovation, alternative energy resources, circular economy, climate crisis, and green transformation.

We spread the impact created by www.cevreciyiz.com to large segments of society through our posts on social media.

As in previous years, we focused on the SDGs in 2022, following and communicating the sustainability agenda.

We closely followed the commitments of world leaders to the climate crisis, the solutions of countries regarding emission reduction, and the steps of the business world regarding sustainability. In all actions, we benefited from studies and concrete data by following a perspective parallel to the agenda of the United Nations and its affiliated institutions.

Throughout 2022, we presented high-quality and responsible posts with more than 180 contents, benefiting from studies on renewable energy, biodiversity, sustainable living, environment, and air pollution. With the "Climate Lens" and statistics concepts created for our social media accounts, we continued to raise awareness with different contents on the climate crisis. In the upcoming period, we will continue with cevreciyiz.com to be a resource for the studies of experts, academicians and students with our 15-year verified content library.

Carbon Footprint Management

Since 2008, we have offset our entire carbon footprint arising from our internal activities with Gold Carbon Credits obtained from renewable energy companies. In addition, we offset all emissions arising from the Istanbul Music Festival concerts sponsored by TSKB.

Taking responsibility for the transition of the business world to a low-carbon economy, we share our support and experience on every platform through our loans on renewable energy, energy and resource efficiency, advisory solutions, social responsibility projects and our spokespersons..

In 2022, we published 57 interviews and sustainability-themed bulletins by senior spokespersons, focusing on sustainability, equal opportunities and green energy.

"Empowerment through Education" Scholarship Fund

Women's participation in the economy offers tremendous potential to increase Türkiye's welfare. The realization of this potential is associated with the empowerment of women through education. Acting on this belief, we established the TSKB Empowerment through Education Scholarship Fund in 2017.

Established in cooperation with the Turkish Education Foundation (TEV), the scholarship fund supports female university students in the 3rd and 4th grades every year. Beyond being a scholarship fund, the project also offers its scholars mentorship and inspiration meetings with the aim of ensuring that more and more women take part in business life.

In 2022, we provided support to 30 female students. Thus, we offered scholarships to a total of 180 female students to date.

#EşitAdımlar (#EqualSteps)

The digital platform, www.esitadimlar.com, launched in cooperation with BCSD Türkiye (Business Council for Sustainable Development Türkiye), offers a comprehensive guide for all companies seeking to support women's employment and improve equal opportunities in the workplace.

With its digital library and effective use of social media, #EşitAdımlar has progressed to become a platform that hosts successful practices from Türkiye and the world, as well as roadmaps, standards and regulations, and all qualified studies performed in this field.

In 2022, a total of 195 articles were posted on #EşitAdımlar website. The website has a total of 23,000 followers on social media. "Let's Take Equal Steps" and statistics concepts were created, and posts were shared with the objective of raising awareness on equal opportunity.

Capitals

Social Capital

WOMEN'S PARTICIPATION IN THE ECONOMY OFFERS TREMENDOUS POTENTIAL TO INCREASE TÜRKİYE'S WELFARE. THE REALIZATION OF THIS POTENTIAL IS ASSOCIATED WITH THE EMPOWERMENT OF WOMEN THROUGH EDUCATION. ACTING ON THIS BELIEF, WE ESTABLISHED THE TSKB "EMPOWERMENT THROUGH EDUCATION" SCHOLARSHIP FUND IN 2017.



180

Total number of female students who benefited from the scholarship to date

Women Stars of Tomorrow

Our support for culture and arts goes back many years. Our Bank has been supporting the Music Festival held by the Istanbul Foundation for Culture and Arts (IKSV) since 1990.

In addition, we have been supporting the advancement of the international careers of gifted young female musicians in the instrumental, vocal and conducting areas with the "Tomorrow's Women Stars" education support fund, which was launched under the Istanbul Music Festival. Women musicians who are accepted at undergraduate or postgraduate level by a music school abroad, who continue their music education abroad or who need support to purchase musical instruments or to participate in activities that will contribute positively to their career development such as master classes, orchestra selection, international competitions can submit application for the fund.

The 2022 concert was held at Süreyya Opera Building on June 23. Young female musicians were accompanied by guest artist Gülsin Onay at the concert and drew great interest.

A total of 53 students benefited from the scholarship fund, including 14 in 2018, 14 in 2019, 12 in 2020, and 13 in 2021.

Social Impact with Innovative Solutions

We became the first bank in the finance sector to implement afforestation by aerial seeding, in cooperation with the social enterprise Ecoding, in order to restore the forests lost by the fires. Within the scope of this project, which is indexed to our investment loans, we planted a total of 86,000 seeds on hard-to-reach lands by means of ecodrones in 2022. We consider this step, which we aim to plant 150,000 seeds in total, important in terms of our support to social entrepreneurs who produce solutions in the field of sustainability as well as contributing to the forestation of Türkiye.

Patara Excavations

We consider the protection of cultural and historical treasures as one of the cornerstones of sustainability. Our Bank has been supporting the excavations of the ancient city of Patara, one of Türkiye's important historical treasures, together with Türkiye İş Bankası and Şişe & Cam Fabrikaları A.Ş. since 2016.

Located near the Kalkan town in the district of Kaş in Antalya, Patara was the capital of the Lycian Union and State. It exhibits a magnificent archaeological site with its theater, parliament, temple, horrea (storage structures), stadium, Turkish bath and churches, which have survived to the present day in good condition. In addition to unique monuments such as the "Lighthouse" and "Road Guide Monument," the ancient city has also a social complex (kulliyeh), which was the first Ottoman Radio Telegraph Station established in 1905. The excavations in the Ancient City of Patara have been carried out by the Ministry of Culture and Tourism for nearly 30 years, under the leadership of Prof. Dr. Fahri Işık and Prof. Dr. Havva İşkan Işık from the Department of Classical Archeology, Faculty of Letters at Akdeniz University.

Experience sharing

Through our banking activities, we share our experience with large audiences under our economic, environmental and social impact, and establish mutual interaction.

We receive inputs and suggestions from all stakeholder groups through periodic Stakeholder Dialogue meetings, and strive to include all relevant parties in our development journey.

We actively use industry-specific organizations to strengthen stakeholder communication.

We share our expertise both locally and internationally with capacity building trainings and speeches at global summits.

Our Bank maintained its effective cooperation with its stakeholders in 2022 and sponsored 8 events:

- AFD - Women's Empowerment in Green Transition
- 14th International Corporate Governance Summit
- Forum Istanbul
- ESIAD Investment Summit
- EYODER – EIF Congress
- EBRD Trade Finance Forum
- BCSD Türkiye - Sustainable Finance Forum
- Istanbul Marketing Summit

In addition to sponsorships, we continue to participate in events as a speaker or participant in order to make the experience sharing more effective.

We took part as a sponsor in 8 conferences and as a speaker in 38 events in 2022.

COP27

We took part as a speaker in the panel “Gender Equality and Climate Change: PDBs and Green Climate Fund” organized by AFD at International Development Finance Club pavilion on November 14.

We participated in COP27 with a large committee, and took part as host, speaker and moderator in 7 panels in total at the International Development Finance Club, IDFC and Republic of Türkiye pavilions. In this summit, where significant agendas for Türkiye and the whole world were discussed, we set several goals to add a different dimension to our sustainability-oriented works. We will continue to make tangible contributions to our country's “Net Zero” target with not only our advisory muscle but also medium and long-term resources from development finance institutions that support the sustainability transition in this process, where a multidimensional approach is required, and the finance sector has key importance for the success of the fight against climate change. We will continue our national and international collaborations based on COP27 outputs in the upcoming period, and follow global trends and good practices in sustainable development to introduce innovative ones to Türkiye.

Other Events

We took part in various international panels throughout the year. Some of the featured panels are as follows:

- I4C workshop “The Contribution of National Development Banks (NDBs) to Low-Carbon Climate Resilient Development”
- ESG and Sustainable Investment Forum in Türkiye
- SDG Investment Forum Asia- Global Compact.
- Green Solar Network Solar Energy & Storage

Contributions to the reporting ecosystem

In the past 10 years in sustainability and integrated reporting practice, we have inspired many companies, especially the actors of the banking industry, in integrating sustainability into their business cycles and transparent stakeholder communication. The integrated reports we published are among the few pioneering studies that are considered as case studies in the workshops, meetings and benchmark analyses by the initiatives operating for the dissemination of integrated reporting in Türkiye.

In 2020, our Bank issued its first report in line with the UNEP-FI Principles of Responsible Banking, and continues to report annual developments in scope of the principles periodically. SDG-linked loan disbursement target of USD 8 billion by 2030, and keeping SDG-linked loans in its loan portfolio at 90% or more are among the targets of the Bank towards increasing positive impacts and decreasing negative impacts.

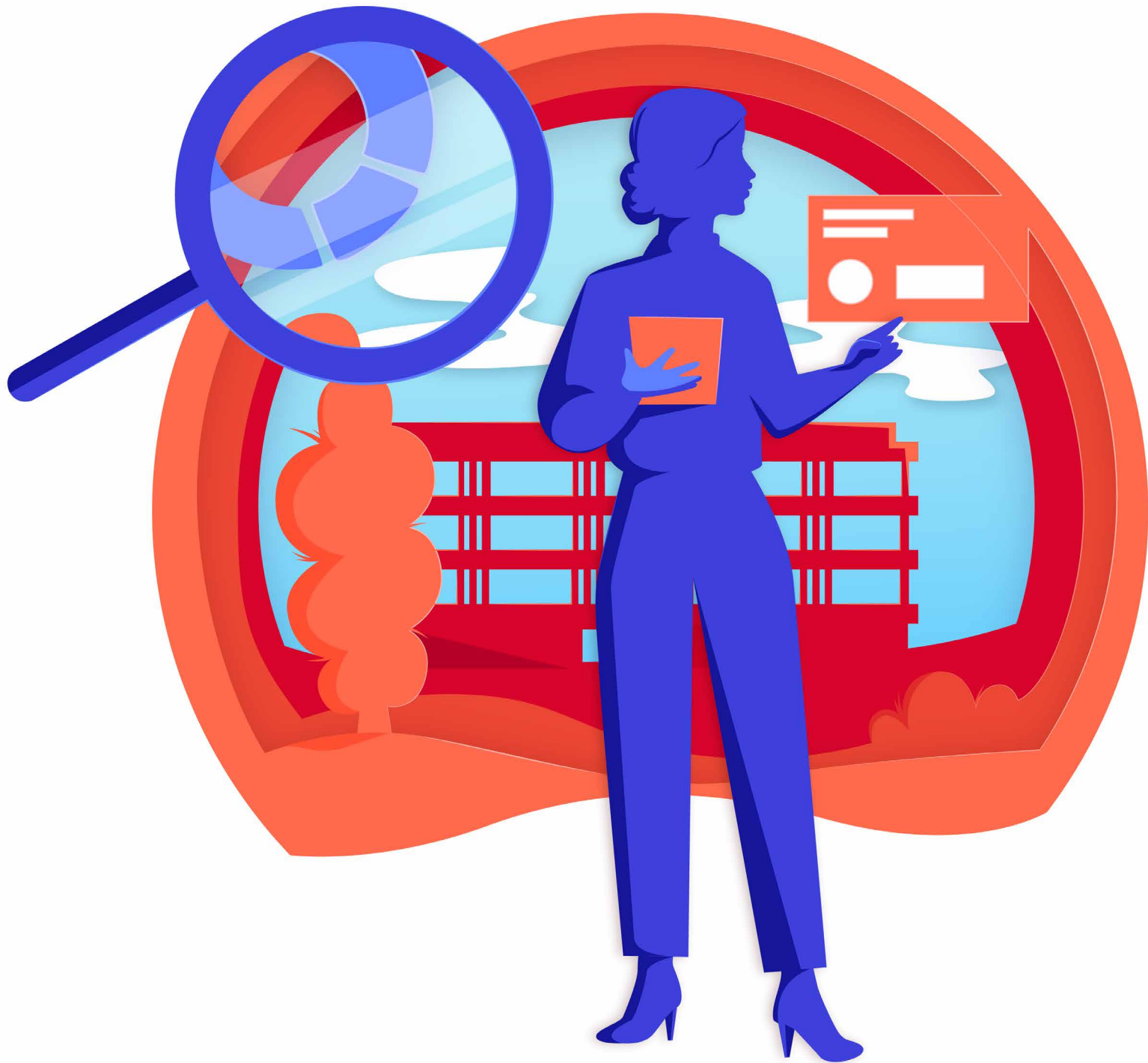
In 2021, we published the “Climate Risk Report” by taking into account the recommendations of the TCFD, and broke new ground in the Turkish banking industry.

In 2022 our Bank took its place among the “Early Adopter” institutions by switching 1 year in advance to the Communication on Progress (CoP) reporting revised by the UN Global Compact.

TSKB Responsible Sustainability Communication Policy

In 2022, we published TSKB Responsible Sustainability Communication Policy for the first time in finance sector. With this policy published by our Bank as a guide, we aim to raise awareness for the differentiation of value-added steps taken for a sustainable future in all sectors. We put down our experience from the communication perspective in black and white with our policy by carrying out all communication works in integration with sustainability policies and publishing our policy with the objective of taking the same responsibilities in our brand communication. We clearly defined our unchanging values in communication studies, and what we have done and not done with a responsibility approach.

Starting from this point of view, we ensure that investments harming the environment, biodiversity and human health, violating human rights, threatening the global peace environment, and damaging the cultural heritage are left out of the scope of our activities. We present SDG-based performance results and objectives to our stakeholders with our Integrated Annual Reports. We try to act as spokespeople and advocate for sustainable and social inclusive development. We continuously expand our area of influence with our signatory statuses, memberships and cooperations at national and international level. We carry measurable sustainability steps into communication instead of greenwashing, manage environmental impacts arising from in-bank operations in all activities, and move forward with the responsibility of becoming the first bank in Türkiye to zero Scope 1 emissions and reducing the emissions from the activities we finance. We believe that this guide will be an instructive source for companies and communication professionals who wish to take firm steps towards sustainability.



CORPORATE GOVERNANCE AND RISK MANAGEMENT

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Board of Directors

● Member of Corporate Governance Committee
● Member of Sustainability Committee

● Member of Credit Revision Committee
● Member of Remuneration Committee

● Member of Audit Committee
B Chairperson of the relevant committee



ADNAN BALI Chairperson of the Board of Directors

Born in İslahiye in 1962, Adnan Bali completed his university education in the Department of Economics, Faculty of Economics and Administrative Sciences at the Middle East Technical University.

Adnan Bali started to work as an Assistant Inspector at İş Bankası Board of Inspectors in 1986. He served as Assistant Manager in 1994 and Group Manager in 1997 at the Fund Management Department. He was appointed as Head of Fund Management in 1998. Mr. Bali became the Manager of the Şişli Branch in 2002 and Galata Branch in 2004. He was promoted as Executive Vice President on May 30, 2006. Adnan Bali was appointed as CEO of Türkiye İş Bankası A.Ş. on April 01, 2011. He resigned from his position on April 01, 2021, and he was elected as Chairperson of Türkiye İş Bankası A.Ş. on the same date.

Officiated as Chairperson at TSKB from 2011 to 2017, Mr. Bali was re-elected as the Chairperson of TSKB on March 31, 2021. Besides, Mr. Bali serves as the Chairperson of the Board of Directors at TİBAŞ Members Supplemental Social Security and Solidarity Fund Foundation and Softtech Ventures Teknoloji A.Ş.



ECE BÖRÜ Vice Chairperson

Born in Istanbul in 1966, Ece Börü graduated from Management Engineering Department at Istanbul Technical University in 1988. She started her career in 1989 as Financial Control Assistant Specialist at TSKB. She was appointed as the Financial Control Manager in 2000 and as the Head of the Board of Internal Auditors in 2006. Serving as the Executive Vice President from 2013 to 2020, Ms. Börü worked as TSKB's CEO and a Board Member between August 2020 and April 2022. She was elected as the Vice Chairperson of the Board on April 7, 2022. Besides, Ms. Börü holds office as the Chairperson of the Board of Directors at TSKB Members Supplementary Social Security and Aid Fund Foundation and TSKB Clerks and Employees Aid and Retirement Foundation.



MURAT BİLGİÇ TSKB General Manager and Board Member

Born in Ankara in 1968, Murat Bilgiç graduated from the Department of International Relations of the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1990 and then received a master's degree in Money-Banking-Finance from the University of Birmingham. Having completed the Management Program at Manchester Business School and Advanced Management Program at Harvard Business School, Murat Bilgiç started his career as Assistant Inspector at the Board of Inspectors of İşbank in 1990. Bilgiç was appointed Vice Manager in the Corporate Loans Allocation Department in 1999, Regional Manager in the same department in 2002, Head of the Department in 2008, and was appointed as Executive Vice President of İşbank on March 25, 2016. Mr. Bilgiç has been serving as TSKB's CEO and Board Member since April 7, 2022. Besides, Mr. Bilgiç serves as the Chairperson of the Board of Directors at Yatırım Finansman Menkul Değerler A.Ş.



MURAT DOĞAN **Board Member**

Mr. Doğan was born in Samsun in 1977. After graduating from İstanbul Technical University with a BSc in Industrial Engineering in 2000, he joined İş Bankası A.Ş. as an Assistant Specialist in the Subsidiaries Department. He currently holds the position of Head of the Department. Mr. Doğan was appointed as TSKB's Board Member on January 7, 2022. He also holds office as the Chairperson of the Board of Directors at İş Yenilenebilir Enerji Proje Yönetimi Danışmanlık A.Ş., Batı Karadeniz Elektrik Dağıtım ve Ticaret A.Ş., and Casaba Yönetim İşletim İm. İth. İhr. Paz. Tem. Güv. Ulaş. Tic. ve San. A.Ş.; as the Vice-Chairperson at Maxis Girişim Sermayesi Portföy Yönetimi A.Ş., Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş., and Enaş Enerji Yatırımları A.Ş.; and as a Board Member at İş Gayrimenkul Yat. Ort. A.Ş., Trakya Yatırım Holding A.Ş., İş Enerji Yatırımları A.Ş., and Türkiye İş Bankası Banking and Commercial Law Research Institute.



BAHATTİN ÖZARSLANTÜRK **Independent Board Member***

Born in Samsun in 1971, Mr. Özarslantürk graduated from the Department of Business of Business Administration (English) at İstanbul University). He started his professional career in 1994 as an Assistant Loan Specialist at Türkiye İş Bankası Zincirlikuyu Branch. Mr. Özarslantürk, who worked as a Specialist in the Risk Management Department in 2000, was appointed as Assistant Manager in the Corporate Loans Allocation Department in 2002 and Regional Manager in the same department in 2006. He served as Hadımköy Commercial/İstanbul Branch Manager in 2009, Güneşli Corporate/İstanbul Branch Manager in 2011, Commercial Loans Allocation Manager in 2013, and Başkent Corporate/Ankara Branch Manager in 2017. Mr. Özarslantürk served as a Board Member at İş Leasing between July 2008 and October 2009 and between March 2015 and June 2017, at İş Factoring between May 2011 and March 2013, at A&T Bank between March 2013 and May 2015, and at A&T Leasing between March 2013 and March 2015. Mr. Özarslantürk, who is a financial analyst, was appointed as İstanbul Corporate Branch Manager on January 30, 2020. He was elected as a TSKB Board Member on August 24, 2020.



MİTHAT RENDE **Independent Board Member**

Before retirement, Mr. Rende served as the OECD Ambassador and Permanent Representative and Chairperson of the Executive Committee of OECD. He formerly served as Ambassador to Doha (Qatar), Director General for Multilateral Economic Affairs Department of the Ministry of Foreign Affairs, Türkiye's Chief Climate Negotiator, Head of the Trade and Transit Working Group of the Energy Charter in Brussels, Deputy Permanent Representative at the UN International Maritime Organization (IMO), Member of the Nuclear Energy Commission, and the Mavi Marmara Case UN Panel Türkiye Contact Point. During his career as a government official for over forty years, Ambassador Rende also worked in the Embassies of Damascus, Rome, Sofia, London, and Brussels (NATO), and in Vienna (OSCE) Permanent Council. Retired ambassador Mr. Rende has been TSKB's Independent Board Member since April 2, 2017.

Board of Directors



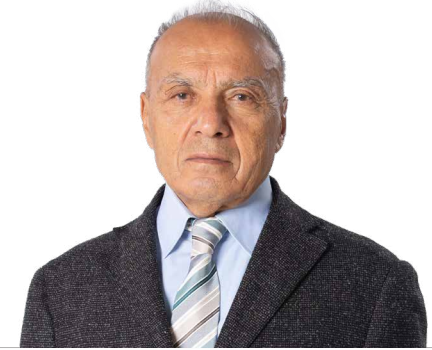
ABDİ SERDAR ÜSTÜNSALİH **Board Member**

Born in Trabzon in 1963, Abdi Serdar Üstünsalih started his career in 1991 at VakıfBank. He served as manager in various branches and departments at VakıfBank. He then served as the Head of IT, Retail Banking, Banking Operations, and Core Banking Application Development departments. Mr. Üstünsalih was appointed as the Vice President in July 2018 at VakıfBank. He has been working as the CEO and Executive Board Member of VakıfBank since May 27, 2019. In addition, Mr. Üstünsalih is the Vice Chairperson of the Board of the Banks Association of Türkiye. He has been serving as a Board Member of TSKB since June 25, 2019.



GAMZE YALÇIN **Independent Board Member***

Born in Ankara in 1971, Gamze Yalçın graduated from the Department of Economics, Faculty of Economics and Administrative Sciences at the Middle East Technical University. She completed her master's degree in International Banking and Finance at The University of Birmingham in the UK. She attended the Advanced Management Program at Harvard Business School in 2017. Ms. Yalçın started her professional career at Türkiye İş Bankası A.Ş. in 1993. She served as an associate and manager in the corporate architecture, accounting, and risk management departments of the Bank. She was promoted to Vice President position on November 28, 2017. Gamze Yalçın was elected as a Board Member of TSKB on April 18, 2019. Besides, Ms. Yalçın currently serves as the Chairperson of the Board of Directors at İşbank AG.



HÜSEYİN YALÇIN **Board Member**

Born in Konya in 1947, 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 from 1977 to 1990. Mr. Yalçın served as a Vice President and Advisor to the CEO at Türkiye Kalkınma Bankası A.Ş. from 1990 to 2000. Following the transfer of banks to the Savings Deposit Insurance Fund, he served as Senior Vice President at Yurtbank, as Vice President at Sümerbank and at Kent Portföy, and as Advisor to the CEO at Toprakbank from 2000 to 2002. He was elected as a Board Member at Türkiye İş Bankası A.Ş. in 2011 and worked for 6 years in the same position. Hüseyin Yalçın was elected as a Board Member at Milli Reasürans T.A.Ş. from 2017 to 2018. Mr. Yalçın has been a TSKB Board Member since April 6, 2018.

* Members of the 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.



CENGİZ YAVİLİOĞLU Board Member

Economist Dr. Cengiz Yavilioğlu was born in Erzurum in 1970. He graduated from the Department of Public Administration, Faculty of Political Sciences at İstanbul University. He completed his postgraduate studies at the Department of International Finance, Faculty of Political Sciences at İstanbul University, and his doctorate at the Department of International Economics, Faculty of Economics and Administrative Sciences at Cumhuriyet University. He worked as the Head of the Finance and Fund Management Department at the Prime Ministry Privatization Administration. Mr. Yavilioğlu also served as Board Member and/or Chairperson at Türk Telekomünikasyon A.Ş., Karadeniz Bakır İşletmeleri A.Ş., Türkiye Denizcilik İşletmeleri A.Ş., TEDAŞ Meram Elektrik Dağıtım A.Ş., TEDAŞ Çamlıbel Dağıtım A.Ş., Ankara Doğal Elektrik Üretim ve Ticaret A.Ş., Türkiye Şeker Fabrikaları A.Ş. and TÜPRAŞ. He was elected as the Justice and Development Party's (AKP) Erzurum Deputy for the 24th Term. He worked as AKP Deputy Chairperson of Economic Affairs, a Member of the Planning and Budget Committee of the Grand National Assembly of Türkiye, and a Member of the Coups and Memorandums Investigation Commission. He also held office as the Deputy Minister of Finance in the 64th and 65th Governments. He was appointed as the Deputy Minister of Treasury and Finance on January 30, 2021. Cengiz Yavilioğlu officiated as a Research Assistant in the Department of Economics, Faculty of Economics and Administrative Sciences at Cumhuriyet University, as a Visiting Lecturer in the Faculty of Security Sciences at the Police Academy, and as the Vice Chairperson of the Board of Trustees at Rauf Denktaş University. He wrote articles on foreign capital investments, privatization practices, and development economics, and books titled "Efficiency and Performance Analysis of Some Privatized Companies in Türkiye" and "Privatization Practices in the World and Türkiye" published in 2010. Mr. Yavilioğlu was appointed as a TSKB Board Member on March 25, 2021.



CELAL CANER YILDIZ Board Member

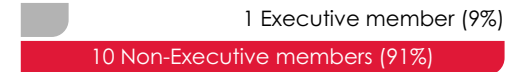
Born in Antalya in 1981, Caner Yıldız graduated from the Department of Economics in English, Faculty of Economics and Administrative Sciences at Hacettepe University. Yıldız started working as an Assistant Loan Specialist at the Corporate Loans Allocation Department of Türkiye İş Bankası in 2004. Yıldız was appointed as Assistant Manager in the same Department in 2014, Department Manager in 2018, Department Manager in the Project Finance Department in 2020, and Department Manager in January 2022. He is currently working as Project Finance Department Manager at İşbank. He was elected as a Board Member of TSKB on April 7, 2022.

Distribution of Members

Based on Independence Status



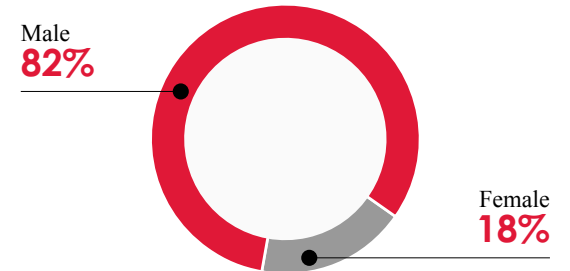
Based on Executive Status



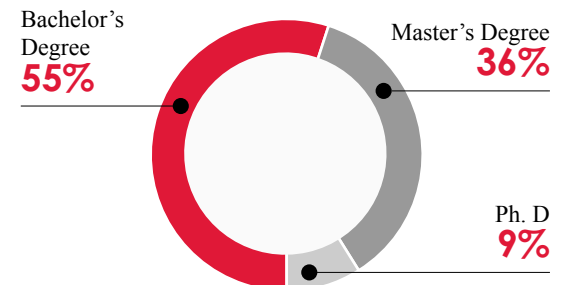
Average Tenure



Gender Distribution



Educational Distribution



* The average year of experience of our board members is 32 years.

Senior Management



MURAT BİLGİÇ

TSKB General Manager and Board Member

Born in Ankara in 1968, Murat Bilgiç graduated from the Department of International Relations of the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1990 and then received a master's degree in Money-Banking-Finance from the University of Birmingham. Having completed the Management Program at Manchester Business School and Advanced Management Program at Harvard Business School, Murat Bilgiç started his career as Assistant Inspector at the Board of Inspectors of İşbank in 1990. Bilgiç was appointed Vice Manager in the Corporate Loans Allocation Department in 1999, Regional Manager in the same department in 2002, Head of the Department in 2008, and was appointed as Executive Vice President of İşbank on March 25, 2016. Mr. Bilgiç has been serving as TSKB's CEO and Board Member since April 7, 2022. Besides, Mr. Bilgiç serves as the Chairperson of the Board of Directors at Yatırım Finansman Menkul Değerler A.Ş.



MERAL MURATHAN

Executive Vice President

Born in Erzurum in 1977, Meral Murathan graduated from the Department of Economics at Boğaziçi University. She started her career in TSKB Treasury Department in 1998. She served in a variety of roles and positions and she acted as Head of Financial Institutions between 2012 and 2019. Ms. Murathan, who was appointed as Executive Vice President on April 1, 2019, is currently in charge of Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring, and Engineering and Technical Advisory Departments.



ÖZLEM BAĞDATLI

Executive Vice President

Özlem Bağdatlı was born in Çanakkale in 1974 and graduated from Marmara University Faculty of Law in 1995. Ms. Bağdatlı started her professional career in the real sector in 1998. Starting her career at TSKB as a Specialist Lawyer in 2003, Ms. Bağdatlı held various positions in the Legal Affairs Department between 2003 and 2021. Appointed as Executive Vice President on May 1, 2022, Ms. Bağdatlı is currently serving as the Executive Vice President responsible for Legal Affairs, Human Resources, Retirement, and Supplementary Foundations Directorates, and also serves as the Rapporteur of the Board of Directors.



HASAN HEPKAYA
Executive Vice President

Born in Samsun in 1981, Hasan Hepkaya graduated from the Department of Business Administration at Hacettepe University. He started his career at Garanti Leasing in 2003. He served in a variety of roles and positions in the Corporate Banking and Project Finance Departments at TSKB from 2005 to 2014. He was promoted to Head of Project Finance and Head of Corporate Banking from 2014 to 2018. On April 1, 2019, Hasan Hepkaya was appointed as Executive Vice President in charge of Corporate Banking Marketing, Project Finance, Corporate Banking Sales, Economic Research, Financial Advisory Departments, and the Business Development & Advisory Services Departments.



HAKAN AYGEN
Executive Vice President

Born in Konya in 1965, Hakan Aygen graduated from the Department of Management Engineering at Istanbul Technical University in 1989. He started his career in the real sector in 1989. He joined TSKB in 1995 as an Assistant Specialist in the Financial Analysis Department. He completed his master's degree in Management and Organization at Marmara University in 1996. Mr. Aygen was appointed as Corporate Finance Manager in 2006 and Corporate Finance Group Manager in 2011. He received his Accounting Finance doctorate from Marmara University in 2013. Appointed as the Executive Vice President on November 28, 2013, Mr. Aygen is currently in charge of Corporate Finance, Loans Allocation, Loan Analysis, and Specialized Loans Departments.



AZİZ FERİT ERASLAN
Executive Vice President

Born in Istanbul in 1969, Aziz Ferit Eraslan graduated from the Public Administration Department at the Middle East Technical University in 1991. He completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career on the Board of Inspectors at Türkiye İş Bankası. He completed his master's degree at the Stirling University of Scotland from 1996 to 1997. Aziz Ferit Eraslan was appointed as Assistant Manager in 2000 and as Group Manager in 2003 in the Accounting Department at Türkiye İş Bankası. From 2007 to December 2012, Mr. Eraslan officiated as the Head of the Accounting Department, which would later be renamed the Financial Management Department. Mr. Eraslan was Chief Executive Officer at Closed Joint Stock Company İşbank from 2013 to 2015. In October 2015, he was appointed as Vice President responsible for the Board of Inspectors, Risk Management and Internal Control Departments at TSKB. On September 1, 2020, he was appointed as Executive Vice President responsible for Financial Control, Budget Planning and Corporate Compliance Departments.

Senior Management



ENGİN TOPALOĞLU Executive Vice President

Engin Topaloğlu was born in Pazar/Rize in 1971. He has undergraduate and graduate degrees in Industrial Engineering from Bilkent University, and doctorate degrees in Finance and Banking from Kadir Has University. Engin Topaloğlu worked as a research assistant at Bilkent University from 1993 to 1995. He started his career in the finance industry as a member of the Board of Inspectors at İşbank. Engin Topaloğlu served as Assistant Manager in 2004 and Group Manager in 2007 at İşbank Budget and Planning Department. He was appointed as Corporate Architecture Department Head in 2008, Gebze Branch Manager in 2011, Retail Banking Marketing Department Head in 2015 and London Branch Manager in 2016.

He served as a Board member at İş Yatırım Menkul Değerler A.Ş., İşNet Telekomünikasyon A.Ş., Erişim Müşteri Hizmetleri A.Ş., and the Turkish British Chamber of Commerce and Industry, and as the Vice Chairperson at Anadolu Hayat Emeklilik A.Ş. Engin Topaloğlu has been working at Turkish Industrial Development Bank as the Executive Vice President responsible for Board of Internal Auditors, Risk Management and Internal Control since August 2021. Mr. Topaloğlu has a Chartered Financial Analyst certificate issued by the CFA Institute.



POYRAZ KOĞACIOĞLU Executive Vice President

Koğacioğlu completed his undergraduate education in the Department of Aerospace Engineering at Middle East Technical University and completed his master's degree in the department of business administration at Koç University. Koğacioğlu participated in the student exchange program of Bocconi University during his education there. Koğacioğlu, who worked as a research assistant at Koç University between 2002-2004, continued his career as an Equity Research Analyst at Oyak Investment in 2005. Koğacioğlu worked as a Senior Analyst at 3 Seas Capital Partners in 2006 and as a Specialist in TAIB-PDF Corporate Finance in 2007. In the same year, Koğacioğlu worked as a senior associate in the corporate finance team of Ak Yatırım, and in 2010 he became the assistant manager of the institution. Koğacioğlu transferred to the corporate finance team at Garanti Yatırım as a manager in 2012, and worked as a director in M&A and IPO at the same institution from 2015 to February 2019. Appointed as the Assistant General Manager in February 2019 at Şeker Real Estate, Poyraz Koğacioğlu continues as the Executive Vice President responsible for Corporate Finance Department since May 1, 2022.



BİLİNÇ TANAĞARDI Executive Vice President

Mr. Tanağardı, who was born in Konya in 1973, graduated from the Department of Computer Science Engineering at Istanbul University in 1994 and started his career at Degere International. After Sinai Yatırım Bankası where he worked as a Software Engineer in 1999, he continued his career at TSKB in 2002 and worked at various levels of Information Technologies departments. He was promoted to Head of the System Support and Operations Department in 2015. Appointed as Executive Vice President on May 1, 2022, Mr. Tanağardı still continues his duty as the director responsible for Application Development, Corporate Architecture and Process Management, and System Support and Operations departments.

Directors



TOLGA SERT

Born in Malatya in 1973, Mr. Tolga Sert graduated from the Department of Petroleum Engineering at METU in 1995. He continued his education by having a master's degree in Business Administration at Yeditepe University in 2003. Mr. Sert started his career as an Assistant Specialist at Türkiye Garanti Bankası in 1995 and worked as a Credit and Risk officer at Total. On 16.12.1998, he started to work as an assistant investment advisor in the Treasury department of TSKB. He has worked in the Risk Management, Financial Control, Investor Relations, and Budget and Planning departments and at Bahrain Branch. He was appointed as the Financial Control Manager in 2016. Mr. Tolga Sert, who was appointed as a Director on May 1, 2022, is in charge of the Financial Control, Credit Operations and Treasury, and Capital Market Operations departments.



S. HÜSEYİN GÜREL

Seyit Hüseyin Gürel, born in Istanbul in 1983, graduated from the Department of Economics at the Middle East Technical University in 2007. Gürel started his career as an assistant specialist in the Financial Analysis Department of the Industrial Development Bank of Türkiye. He continued his career in the Financial Analysis Department of TSKB between 2007 and 2015 and then transferred to the Corporate Banking Marketing Department in 2015. Between 2017 and 2019, Gürel worked as a Group Manager at TSKB Corporate Banking Marketing Department. In 2019, he was appointed as the Department Head of Corporate Banking Marketing and as the Department Head of Advisory Services and Marketing in 2020. Seyit Hüseyin Gürel, who was appointed as a Director on May 1, 2022, is in charge of the Advisory Services Sales Department and the Financial and Technical Advisory Department.

Corporate Governance Compliance Report

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Sınai Kalkınma Bankası A.Ş. (hereinafter “TSKB” or the “Bank”) is subject to the Corporate Governance Principles, which are stipulated for banks by the Capital Markets Board (CMB) and banking regulations. According to the Bank’s Articles of Association Article 55, transactions and Board of Directors resolutions that do not comply with the mandatory Corporate Governance Principles are deemed to be contrary to the Articles of Association. The Bank is in full compliance with the mandatory Corporate Governance Principles as per the “Regulation on the Corporate Governance Principles of Banks” and the “Corporate Governance Communiqué.”

Although most of the non-mandatory Corporate Governance Principles have been complied with, work is underway within the scope of full compliance in accordance with the regulations. The principles that have not yet been fully complied with are listed below and in this context, there are no conflicts of interest for the Bank.

- In relation to principle No. 1.5.2, in parallel with the general practices in the Bank’s articles of association, rights have been provided to the minority within the framework of the general provisions in the regulations. No requests have been received from the investors about this issue, and there is no plan to make a change in this regard in the short term.
- In relation to principle numbered 4.6.1, performance assessments are not carried out for the Board of Directors. All studies related to the composition, performance, and effectiveness of the board of directors are carried out under the corporate governance committee.

- In relation to principle no. 4.6.5, the salaries given to the Members of the Board of Directors and Senior Management are disclosed to the public collectively in accordance with global and local practices. Based on the confidentiality of personal information, our Bank closely follows market practices. In this context, it is envisaged that general practice will be followed.

Filed in accordance with Capital Markets Board Resolution no. 2/49 of January 10, 2019, the Bank’s Corporate Governance Compliance Report and Corporate Governance Information Form are available on the Public Disclosure Platform.

A leading institution in corporate governance, the Bank attained a corporate governance rating in 2022 that enabled it to maintain its position among the highest-rated institutions. As a result of the evaluation by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on October 19, 2022, TSKB’s corporate governance rating remained at 9.59 over 10. The rating of four main sections (Shareholders, Public Disclosure and Transparency, Stakeholders, and Board of Directors) were announced as 9.51, 9.75, 9.89 and 9.40 over 10, respectively.

TSKB’s Corporate Governance Rating

Main Sections	Weight	Rating
Shareholders	0.25	9.51
Public Disclosure and Transparency	0.25	9.75
Stakeholders	0.15	9.89
Board of Directors	0.35	9.40
Total		9.59

TSKB, which has a long history of sustainable banking and good ESG practices, operates in compliance with all but one of the Sustainability Principles published on October 2, 2020 within the framework of the Communiqué Amending the Corporate Governance Communiqué (II-17.1).

- As for principle no. 24 under the heading Environmental Principles, the transition to a net-zero carbon economy has been one of the strategic focus areas of the Bank for the last 20 years. There have been ongoing dedicated efforts on climate risk. Once the targeted progress has been realized in this area, carbon pricing will be considered as the next stage.

PART II – SHAREHOLDERS

Investor Relations Department

At TSKB, investor relations activities are carried out in coordination with the Financial Institutions and Investor Relations Department and the Legal Affairs Department in accordance with the principles of transparency, accountability, responsibility and equality required by corporate governance. “Investor Relations Manager,” who holds Capital Market Activities Advanced Level Certificate and Corporate Governance Rating Specialist Certificate, serves as a member of the Corporate Governance Committee as per the provisions of the governing regulation.

Please find below the contact details of the employees who take part in Investor Relations:

Name Surname	Title	Phone No.	Electronic Mail Address
Meral Murathan	Executive Vice President*	0 212 334 51 24	murathanm@tskb.com.tr
Gizem Pamukçuoğlu	Head of Financial Institutions and Investor Relations	0 212 334 52 58	erarslang@tskb.com.tr
Özen Çaylı	Financial Institutions and Investor Relations Senior Manager **	0 212 334 52 49	halilogluo@tskb.com.tr
Korhan Aklar	Head of Legal Affairs	0 212 334 50 92	aklark@tskb.com.tr

* Ms. Meral Murathan is Executive Vice President responsible for Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring, and Treasury and Corporate Communications Departments.

** Ms. Özen Çaylı holds Capital Market Activities Advanced Level Certificate (Certificate No: 204985) and Capital Market Board Corporate Governance Rating Specialist Certificate (Certificate No: 701337).

General Assembly Meeting

The Bank’s annual Ordinary General Assembly was held on March 29, 2022, at the Headquarters. The Ordinary General Assembly meeting for 2021 was attended by 188,143,947.854 shares corresponding to a total capital of TL 1,881,439,478.541, including the physical participation of 171,510,824,154 shares corresponding to a capital of TL 1,715,108,241,541 and the electronic participation of 16,633,123,700 shares corresponding to a capital of TL 166,331,237 (out of 280,000,000,000 shares, corresponding to the Bank’s total capital of TL 2,800 million). The participation rate was 67%.

The following items were discussed and voted on by the shareholders at the meeting:

- The Meeting Council was constituted in accordance with the Bank’s Articles of Association. Authorization of the Meeting Council to sign the meeting minutes was adopted by the majority of the shareholders’ votes.
- Review and discussion of the Annual Reports of the Board of Directors and Reports of the Auditors and Independent Auditors regarding the Bank’s accounts and transactions for 2021 was adopted by the majority of the shareholders’ votes.
- Review and approval of the Bank’s balance sheet and profit & loss statement for 2021 was adopted by the majority of the shareholders’ votes.
- The election of Murat Doğan to replace Zeynep Hansu Uçar, who resigned from the Bank’s Board of Directors, was approved by the majority of votes.
- The release of the Board Members was adopted by majority of the shareholders’ votes.
- The decision-making on the determination and distribution of profit was adopted by the majority of the shareholders’ votes.
- The General Assembly was informed about the bonus payments made to the employees in 2021 and anticipated to be made in 2022.
- The determination of the attendance fee to be paid to the Board Members was approved by the majority of the shareholders’ votes.
- Selection of the independent audit firm was adopted by the majority of the shareholders’ votes.
- The amendment of Article 5 of the Bank’s Articles of Association was approved by the majority of votes.
- The General Assembly was informed about the donations made during the year. In addition, the determination of the upper limit for donations to be made in 2022 was approved by the majority of the shareholders’ votes.
- Empowerment of the Board Members regarding the transactions set forth in the Turkish Commerce Code, Articles 395 and 396 was adopted by majority of shareholders’ votes.
- The transactions included in Article 1.3.6 of the CMB’s Corporate Governance Communiqué No. II-17.1 were submitted to the General Assembly’s information.

Corporate Governance Compliance Report

During the period, there has been no transaction in which the decision had to be left to the discretion of the General Assembly due to negative votes of independent board members. The results and resolutions of the General Assembly meeting were published on Public Disclosure Platform on March 29, 2022.

Profit Distribution Policy

The Dividend Payment Proposal of the Board of Directors has been prepared in line with the Profit Distribution Policy approved by the General Assembly, which takes into account the delicate balance between the expectations of the Shareholders and the Bank's need for growth, and the profitability of the Bank. Principles governing the Bank's dividend distribution are set down in the Articles of Association, Article 47, and there are 100 founders' shares that receive a share of the profit in line with these principles.

The Bank's dividend payment policy was revised in 2019 and disclosed to shareholders on the Bank's Turkish and English websites.

At the General Assembly Meeting dated 29.03.2022; 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 was decided that as part of the net profit of 1,089,008,091.09 TL in 2021, 54,450,404.55 TL will be reserved as a general legal reserve, 43,124,611.00 TL will be reserved to a special fund in accordance with the relevant provisions of the tax legislation for the purposes of acquiring venture capital investment funds, and the remaining 991,433,075.54 TL will be set aside as extraordinary reserves under shareholders' equity.

RELATIONS WITH STAKEHOLDERS

The stakeholders, including shareholders, employees, creditors, clients, suppliers, non-governmental organizations, and potential investors shall submit their complaints and recommendations to the Bank using a communication form available on the Bank's website. In this regard, the stakeholder analysis performed every two years also contributes to the relations with stakeholders.

Employees are kept informed about all decisions and developments that may be of concern to them. The Bank develops mechanisms to include employees in decision-making processes, receiving employee feedback via committee activities as well as periodic surveys. In addition, the Bank launched the "HR Representative" project with employees selected from each department in 2017.

Participation of employees in management is governed by internal regulations. The employees are authorized according to their signature level pursuant to the Internal Directive on the Transfer of Representation Authority of Türkiye Sınai Kalkınma Bankası, published on Page 483 of the Trade Registry Newspaper No. 8944 of November 11, 2015.

Stakeholders, including employees, can submit their complaints and suggestions to the Bank through the contact form on the Bank's website. Notifications on transactions that are unlawful or ethically inappropriate are reviewed, depending on the content and nature of the situation reported, by the Board of Inspectors or the Internal Control Department and submitted to the Corporate Governance Committee or the Audit Committee. In this context, the Anti-Bribery and

Anti-Corruption Program and the Anti-Bribery and Anti-Corruption Policy have been published on the Bank's website. In order to ensure compliance with anti-bribery and anti-corruption legal regulations, ethical and professional principles, and universal rules, the Anti-Bribery and Anti-Corruption Policy covering all employees of the Bank and its subsidiaries, including the Board of Directors, intermediaries, proxy operators, suppliers, contractors, third parties, affiliated agencies, and those whom we do business, is being updated in accordance with changes in requirements and operating conditions. In addition, a declaration is received from employees that they accept the consequences of compliance with and breach of the Anti-Bribery and Anti-Corruption Policy articles. The training on the Anti-Bribery and Anti-Corruption Policy is open to employees through the Bank's online training platform and the results of the participation in the training are monitored.

The Anti-Bribery and Corruption Program also includes the Complaint Mechanism, which was created for employee complaint communication and is accessible to employees through the intranet. In addition, within the scope of this program, the results of the relevant year as regards the cases, complaints, training, and communication are included on the Bank's website. Within this framework, employees can contribute to the decisions made with their opinions. In addition, there are also committees formed by employees on many different issues at the Bank. The employees are enabled to participate in the management through these committees.

BOARD OF DIRECTORS

Board Members and Working Principles of the Board of Directors

The Board of Directors consists of 11 members, allowing the activities of the Board of Directors to be organized effectively. The election of members is carried out in accordance with the legislation and the Bank's articles of association. The detailed resumes of the Board members and the CEO are given on the Bank's website and on pages 122-125 of the integrated annual report.

The Board of Directors convenes regularly and at least once a month as previously planned, and when deemed necessary, regardless of this period. Care is taken to determine the meeting date in a way that will allow the participation of all members, and Board of Directors meetings are held with the participation of all members, except for unforeseen exceptional circumstances.

In principle, Board Members attend every meeting. Board Members can also attend the meeting virtually. Each Member of the Board has one vote. In accordance with the Bank's Articles of Association, the Board of Directors convenes with the majority of the total number of members and makes decisions with the majority of participants in the meeting. The Board of Directors held 39 meetings between January 1 and December 31, 2022. In this period, there was no significant update with any related parties that would be subject to the approval of the General Assembly.

The following table shows the number of meetings and participation rates for the past 3 years.

	2020	2021	2022
Number of Meetings	43	39	39
Participation Rate	97%	94%	93%

The possible losses resulting from mismanagement of the Board and all Bank managers are covered by the insurance policy signed by Türkiye İş Bankası A.Ş., the main partner, for its group companies.

Information on the Board of Directors Committees and working principles thereof are available in the Investor Relations section of the Bank's website.

In line with the "Policy for Female Participation in the Board of Directors" established in 2014 and revised in 2019, a current state assessment is performed by the Board of Directors on a yearly basis. As of December 31, 2022, there are 2 female members on the Board of Directors in line with the Bank's target.

The number of shares of the Bank held by the Board Members of our Bank is negligible.

Remuneration Policy

The Bank carries out its remuneration policy practices in compliance with the relevant Banking and Capital Markets regulations. TSKB's Remuneration Policy is available in the Investor Relations section of the Bank's corporate website. This policy covers all Bank employees at all levels, including the Head Office and branches.

Board Members are not paid any financial benefits other than the monthly attendance fee. Attendance fees and dividends paid as per the Articles of Association are determined by the General Assembly in line with the proposals submitted by the shareholders. The Bank has no share acquisition program.

Board members have never directly or indirectly used cash or non-cash loans from the Bank.

The total amount of financial benefits such as attendance fees, dividends, wages, premiums, and bonuses paid to the Board Members and Senior Executives is TL 30,919,000.

The total amount of travel, accommodation and other payments made to the Board Members and Senior Executives is TL 1,673,165.

Dividend Distribution Proposal

According to article 47 of our Articles of Association, General Assembly shall be offered to reserve 2022 Net Profit of TL 4,055,033,894.78 as follows:

1. According to paragraph (a) of Article 47 of our Articles of Association, 5% of the net profit amounting to TL 202,751,694.74 be reserved as general legal reserves,
2. TL 145,288,162.00 be reserved to a special fund in accordance with the relevant provisions of the tax legislation for the purposes of acquiring venture capital investment funds,
3. The remaining TL 3,706,994,038.04 be allocated as extraordinary reserves.

We hereby kindly request to authorize the Board of Directors related to all issues stipulated above.

Board of Directors

Information Note on Dividend Distribution Proposal

In accordance with the Bank's Dividend Distribution 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 2022 Dividend Distribution Proposal that of the net profit of TL 4,055,033,894.78, TL 202,751,694.74 will be reserved as a general legal reserve, TL 145,288,162.00 will be reserved to a special fund in accordance with the relevant provisions of the tax legislation for the purposes of acquiring venture capital investment funds, and the remaining TL 3,706,994,038.04 will be set aside as extraordinary reserves under shareholders' equity.

Summary Report of the Board of Directors

Esteemed Shareholders,

Welcome to the TSKB's 73rd Ordinary General Assembly meeting. 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, as well as profit and loss statements, for the accounting period of 2022.

While entering the year 2023, when we reached the 100th anniversary of our republic, we are deeply saddened by the earthquake disasters that unfortunately affected our 11 provinces. We wish God's grace upon our citizens who lost their lives, condolences and patience to their relatives and healing to the injured ones.

Despite the various challenges, especially geopolitical developments and the climate crisis, experienced globally in 2022, the Turkish economy exceeded expectations and recorded a growth of 6.2% in the first nine months. During the same period, the banking sector continued its strong support to the Turkish economy. As of the end of 2022, the sector's asset size has reached TL 14.3 trillion, increasing by 56% in TL, and the total shareholders' equity has reached TL 1.4 trillion, increasing by 97%. Loans of the industry increased by 55% to TL 7.6 trillion. Given the prudent stance maintained by the Bank in the context of external developments, provision expenses increased by 93% year-on-year.

TSKB maintained a robust and resilient balance sheet and capital structure. As of December 31, 2022, the Bank increased, on a year-on-year basis:

- Its total asset by 37.4% to TL 115.6 billion,
- Its loan portfolio by 25.6% to TL 80.3 billion,
- Its shareholders' equity by 84.2% to TL 12.8 billion.

The Bank increased its net banking income by 149% on an annual basis, with a net profit of TL 4 billion 55 million for 2022. As of the end of the year, the capital adequacy ratio calculated excluding the temporary measures of the BRSA was 17.9%, well above the legal requirements.

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.

We would like to mention our promise once again that we will work to proceed on a new development path by mobilizing all of our resources to give an end to our losses in disasters.

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, no private audit was 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 about the audits conducted at the Bank by public institutions, they are publicly communicated through material disclosures.

Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Contrary to Legislative Provisions

Information on court proceedings is provided in the annual report and section III/4 of part five of the non-consolidated audit report, and litigation expenses/provisions in section 7.c.3.

Services Received from the Independent Auditing Company

No service other than audit services is received from the institution from which independent audit services are received.

Related Party Transactions

Information on the Bank's related party transactions is provided in the footnotes within the Audit Report. The conclusion of the Subsidiaries Report for 2022, drafted pursuant to Article 199 of the Turkish Commercial Code No. 6102, is provided below: "Between the Bank and Türkiye İş Bankası A.Ş., the 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. In addition, the commercial transactions concluded between the Bank and Türkiye İş Bankası A.Ş., the controlling shareholder, and the companies affiliated thereto and are provided in the report in detail, are required by the 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 a loss on its subsidiaries. There are no decisions against or transactions inflicting loss on the Bank under the instructions of Türkiye İş Bankası A.Ş., the controlling shareholder, and the companies affiliated thereto."

Information on Operational Fields for which Support Services are Outsourced Under the Regulation on Outsourcing of Support Services by Banks and Information on the Individuals and Organizations Supplying Such Services

The following services received by the Bank in 2022 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. Risk-free Treasury Valuation System Service provided by Risk Aktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti.
3. SWIFT FMHS (Fully Managed Hosting Service) 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 BIS Çözüm Bilgisayar ve Entegrasyon Hizmetleri ve Tic. A.Ş.
6. Building and Employee Security Service provided by Tepe Savunma ve Güvenlik Sistemleri San. A.Ş.
7. Main Data Center Service provided by İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.

Amendments to the Articles of Association During the Year

Article 5 of our Articles of Association titled "Capital" has been amended, and this amendment was registered on 06.04.2022. You can access the details via the PDP announcement link.

<https://www.kap.org.tr/en/Bildirim/1019186>

Risk Management Policies

Information About Risk Management Policies by Risk Type

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 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 with 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 the Risk Management Department.

Credit Risk Management Policy

Credit risk is the possibility that the credit client or a counterparty of an agreement is unable to fulfill the obligations under 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 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 deviating 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.

i - Market Risk Management Policy

Market risk is the possibility of portfolio or position loss in the scope of trading portfolios 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 to which the Bank might be exposed 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 principle is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of the 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). The accuracy of the VaR model is ensured by carrying out backtesting. The question test is based on the comparison of the calculated Risk Exposure Value and the realized losses. In addition; stress tests are applied in order to determine the impacts of events, with a low possibility of realization but substantial losses, on Value at Risk.

Risk Management Policies

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 the 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 a 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 the market. Liquidity risk related to funding is the risk that 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 the 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 funding sources, markets, instruments and maturities in order to have 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. The risk-return balance is constantly monitored whereas the liquidity needs are followed up at all times.

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 with 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.

Consolidated Risk Management Policy

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes implemented within TSKB 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 at 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 clients and markets. These risks are mentioned in the Bank's Risk Policies in order to increase awareness throughout the Bank.

Audit Committee

The Audit Committee consists of two members, selected from among the non-executive Board members. Currently, the members of the Audit Committee are Ms. Gamze Yalçın and Mr. Bahattin Özarslantürk.

The Audit Committee is responsible for:

- Ensuring the efficiency and adequacy of the Bank's internal systems (internal audit, internal control and risk management) on behalf of the Board of Directors, in compliance with the relevant regulations,
- Supervising the functioning of the internal systems, accounting and reporting systems in compliance with relevant laws and regulations, and maintaining the integrity of the information produced,
- Performing preliminary assessments for the selection of independent audit firms and rating, valuation and support service institutions by the Board of Directors, and regularly monitoring the activities of these institutions selected and contracted by the Board of Directors,
- Carrying out and coordinating the internal audit activities of companies subject to consolidation in a consolidated manner,
- Receiving regular reports from the units established under internal systems, and from the independent audit firms regarding the performance of their duties and reporting the detected setbacks to the Board of Directors.

All members of the Committee attended 57 meetings held by the Audit Committee in 2022.

Executives within Internal Systems

Vice President: Engin Topaloğlu

Term of Office	Professional Experience	Previous Units	Educational Background
1.5 year	26 years	İşbank: Inspection Board, Commercial Loans Allocation, Strategy and Corporate Performance Management, Corporate Architecture, Retail Banking Marketing, Gebze and London Branches	Doctorate Degree in Türkiye

Head of Internal Audit Group: A. Gerçek Nasuhoğlu

Term of Office	Professional Experience	Previous Units	Educational Background
8 Months	25 Years	İş Bankası: Inspection Board, Strategy and Corporate Performance Management Department,	Master's Degree in Türkiye

Head of Risk Management: Gül Bahar Yalçın

Term of Office	Professional Experience	Previous Units	Educational Background
0.5 Year	14 Years	Economic Research Department	Master's Degree in Türkiye

Head of Internal Control: Simay Kimyacı

Term of Office	Professional Experience	Previous Units	Educational Background
5 years	23 Years	Treasury Department	Bachelor's Degree in Türkiye

Audit Committee Report

AUDIT COMMITTEE'S ASSESSMENT OF THE FUNCTIONING OF INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AND THEIR ACTIVITIES IN 2022

The Audit Committee held 57 meetings in 2022. In these meetings, the Audit Committee worked on the fulfillment of duties and responsibilities specified within the scope of the "Regulation on the Evaluation of Banks' Internal Systems and Internal Capital Adequacy" in the "Activities of the Committees Established For Risk Management, and Full Names of the Chairpersons and Members of These Committees" Section of the Annual Report.

Internal systems-related activities (internal audit, internal control and risk management) in the Bank are carried out by the Board of Internal Auditors, Internal Control Department, and Risk Management Department. Relevant departments' duties and responsibilities are specified in regulations approved by the Board of Directors. All three departments operate independently of executive activities and executive units through the Executive Vice President for Internal Systems, who reports to the Audit Committee, established to assist the Board of Directors in the performance of its auditing and oversight activities. It is among the priorities of the Board of Directors to evaluate and ensure the continuity of the functioning, adequacy and effectiveness of the internal systems established to cover all branches and units, and subsidiaries subject to consolidated audit. The duties and responsibilities of the Board of Directors regarding internal systems are carried out by the Board of Directors, Audit Committee, Board of Internal Auditors, Internal Control Department, and Risk Management Department.

Board of Internal Auditors

The Board of Internal Auditors assures the performance of the Bank's activities in line with the relevant laws and other regulations, internal strategies, policies, principles, targets, and as well as the efficiency and adequacy of the internal control and risk management systems. The Board of Internal Auditors plans and carries out its audit activities in a risk-oriented manner, evaluating the potential risks in Head Office units, branches, subsidiaries and Bank's information systems and processes, reviewing whether the internal control, risk management and corporate governance systems are compatible, effective and sufficient, and examines the accuracy and reliability of accounting records and financial reports.

The Board of Internal Auditors does not content itself with only identifying the audit findings. It also provides opinions and suggestions to prevent the re-emergence of deficiencies, errors and abuses, if any, to improve processes, increase efficiency and effectiveness, and strengthen internal systems. Moreover, it closely monitors the findings and related actions and provides information on the developments in the items discussed at the Audit Committee meetings throughout the year.

In 2022, the Inspection Board conducted a total of 24 audits in the Head Office units, subsidiaries, companies from which support services and external services were received, banking processes, and information systems.

As a result of the audits and assessments performed in 2022, no material problems were identified that could adversely affect the Bank's operations and prevent it from fulfilling its obligations. It has been determined that the Bank's internal control and risk management systems work well, the activities are generally low-risk, the financial and legal reports are correct, and the laws and regulations are complied with.

In conclusion, the internal audit system has been effective and successful in preventing, detecting and eliminating risks thanks to its risk-oriented approach, qualified human resources, experienced and prudent management.

In 2022, 1 Board member received the SPL Information Systems Independent Audit License and ISO27001:2013 Lead Auditor Certificate, 1 Board member received the SPL Information Systems Independent Audit License and 1 Board member received the ISO27001:2013 Lead Auditor Certificate.

Internal Control

TSKB's Internal Control System has been structured to cover the Bank's branches and Head Office units, subsidiaries subject to consolidation and all activities, in order to ensure that all financial and operational risks identified in relation to the operations are kept at a reasonable level and under control.

The adequacy and effectiveness of the Internal Control System are reviewed through continuous monitoring by all Bank personnel under the coordination of the Internal Control Department, and necessary improvements are carried out.

Additional controls were established within the scope of the amended legislation in 2022. Efforts have been made to measure individual and interrelated operational risks within the Bank's processes, to establish a strong corporate culture with a risk management perspective in the light of the Operational Risk Guide published by the BRSA, and to establish structures that will contribute to the improvement of the current internal control environment. As a result of these efforts, a "Triple Line of Defense Model" has been developed as an effective way of managing risks and controlling operations to support the effectiveness and optimization of governance, risk and internal control systems. The aim is to establish strong pillars of reassurance among the Bank's stakeholders, legal authorities, Bank employees, and the Board of Directors regarding the competence and adequacy of the internal control system.

TSKB Internal Control Department monitors compliance with the relevant legislation and the adequacy of the measures taken by including the issues of laundering the proceeds of crime and preventing the financing of terrorism in the control activities. Adopting full compliance with the applicable legislation in Türkiye on the laundering of proceeds of crime and the prevention of financing terrorism, TSKB is working to fully implement the necessary control, warning, and other mechanisms in its business processes.

Internal control personnel participated in various training during the year, taking into account the changes in the legal and regulatory frameworks in force for the development of their professional knowledge, skills, and capabilities, and were encouraged to obtain national and international professional certifications. In this context, in 2022, 5 employees received the SPL Information Systems Independent Audit License, 6 employees received the ISO27001: 2013 Lead Auditor Certificate and one employee received the CIA (Certified Internal Auditor) Certificate.

In 2022, as in previous years, internal audit activities were carried out to evaluate compliance with the ISO 14001 Environmental Management System Standard and ISO 14064 Greenhouse Gas Calculation and Verification Standard, which are within the scope of the certificates held by the Bank in terms of environmental impact assessment and management.

The findings, opinions and suggestions resulting from the internal controls by the Internal Control Department are first communicated to those who carry out the activities and evaluated. It helps to take and implement the necessary complementary and preventive measures quickly, and thus to introduce appropriate and applicable solutions that improve processes and activities without any delay.

The Bank's Audit Committee periodically evaluates the effectiveness of the internal control system and the results of internal control activities through the annual reports issued by the Internal Control Department.

Risk Management

The risk management process, which is organized as per the risk management regulations and serves to create a common risk culture throughout the organization, has a structure where risks are defined by international regulations and where measurement, analysis, monitoring and reporting activities are carried out within this framework. The Risk Management Department carries out these activities by developing necessary systems, monitors the compliance of the risks with the policies and standards and the Bank's limits, and continues its efforts to comply with the relevant regulations and Basel criteria. In addition to the standard approaches used for legal reporting, risk measurements subject to reporting are also conducted with advanced approaches through internal models and are also supported by stress tests.

The Risk Management Department submits its detailed unconsolidated risk management reports monthly and consolidated risk management reports quarterly to the Board of Directors via the Audit Committee. In 2022, in addition to the reports submitted to the Board of Directors, risk and capital adequacy measuring and reporting activities continued for legal and MIS purposes. Moreover, activities of the Internal Capital Adequacy Assessment Process (ICAAP) and its reporting activities were coordinated. Accordingly, detailed stress tests and scenario analysis were conducted, and projections were made for future period's capital requirements.

In 2022, other than routine activities, efforts were made to develop the systemic infrastructure and automation level related to current reporting, analysis, and compliance with legal obligations, and improve the internal credit rating model. In line with the current conditions and good practice examples, the work on the updates of internal legislation and the integration of climate-related risks into risk management systems have continued to be carried out.

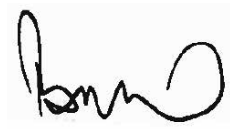
The Audit Committee continued to report its opinions to the Board of Directors regarding the results of its activities in 2022, the necessary measures and practices, and other matters that it deems important for the safe continuation of the Bank's operations. The Audit Committee monitored compliance with the legal regulations regarding internal control, internal audit and risk management, as well as internal policies and implementation procedures approved by the Board of Directors. As a result of the Audit Committee's evaluations and reviews, it was observed that the Bank's internal systems were effectively functioning as expected and that the internal controls on financial reporting were effective.

The Audit Committee evaluated the support services received by the Bank and monitored the efforts of taking necessary measures for managing the risks efficiently in this process. Additionally, independent audit results, yearly and quarterly financial results, as well as independent audit reports, were assessed by the independent auditors. The independence of the rating institutions, independent audit firms and appraisal institutions in their activities related to the Bank and the adequacy of the allocated resources have been evaluated.

With respect to the activities and functioning of internal systems in 2022 which comprise internal audit, internal control and risk management, we believe that the activities performed were highly qualified and satisfactory.



GAMZE YALÇIN
Audit Committee
Chair



BAHATTİN ÖZARSLANTÜRK
Audit Committee
Member



COMPLIANCE OPINIONS

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Independent Auditor's Report on the Annual Report of the Board of Directors



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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 ("the Group") for the period of January 1, 2022 – December 31, 2022.

In our opinion, except for the matter described in the Basis for Qualified Opinion section of our reports, 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 described in the Basis For Qualified Opinion section of Independent Auditor's Reports on the complete set of audited unconsolidated and consolidated financial statements of the Bank and the Group for the period between January 1, 2022 and December 31, 2022 dated February 1, 2023 the unconsolidated and consolidated financial statements as at include a free provision amounting to Thousands TL 900.000 that Thousands TL 440.000 which were provided within prior years, of which Thousands TL 460.000 was provided at 2022 respectively by the Bank and Group management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Since the above mentioned provisions do not meet the accounting requirements of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the "Other Provisions" for the period ended 31 December 2022 are overstated by Thousands TL 900.000, "retained earnings" and "net income" of December 31, 2022 are understated by Thousands TL 440.000 and Thousands TL 460.000, respectively.

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 published by Banking Regulation and Supervision Agency (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 qualified opinion.

3) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed qualified opinions in our auditor's reports dated February 1, 2023 on the full set consolidated and unconsolidated financial statements of the Group and the Bank respectively for the period of January 1, 2022-December 31, 2022.

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

c) 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 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 , 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 (BRSA) and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned 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 Fatma Ebru Yücel.

Güney Bağcıoğlu Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
Member firm of Ernst & Young Global Limited



March 3, 2023
İstanbul, Türkiye

Integrated Annual Report Limited Assurance Report



Limited Assurance Report

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

We have been engaged by the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. (the “Bank” or “TSKB”) to perform a limited assurance engagement in respect of the Selected Sustainability Information (the “Selected Information”) stated in the TSKB 2022 Integrated Annual Report (the “2022 Integrated Annual Report”) for the year ended 31 December 2022 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2022, which is subject to our limited assurance work, set out in the pages 15, 16, 27, 28, 29, 50, 51, 59, 76, 78, 86, 88, 89, 94, 95, 100, 102, 106, 107, 114 and 116 of the 2022 Integrated Annual Report with the sign is summarised below:

- Ratio of Female Employees in the Bank (%)
- Ratio of Female Employees in the Management (%)
- Ratio of Female Members in the Board of Directors (%)
- Gender Pay Gap (Average)
- Gender Pay Gap (Median)
- Ratio of Employees in the Sustainability Structure
- Average Annual Training Hours per Employee (hours)
- High Performance Employee Turnover Rate (%)
- Hybrid Working Rate (%)
- Ratio of Female Employees on Maternity Leave (%)
- Ratio of return from Maternity Leave (%)
- Ratio of Male Employees on Paternity Leave (%)
- Participation Rate in Employee Engagement Survey (%)
- Ratio of Female Employees Benefiting from Flexible Working Practices (%)
- Ratio of Female Employees Who Changed Department (Rotation, Internal Transfer) (%)
- Ratio of Female Employee Recruits (%)
- Ratio of Female Employees Promoted (%)
- Ratio of Female Employees Joining TSKB through TSKB Academy New Graduate Program (%)
- Ratio of Female Candidates Involved in Recruitment Process (%)
- Ratio of Female Employees Represented the Bank at the Universities (%)
- Ratio of Female Employees Participating in the Sustainability Workshop (%)
- TSKB Economic Research Reports and Blog Posts
- TSKB Sustainability Management Structure



- Number of Companies to which the Assessment Tool was Applied and Various Support Mechanisms were Provided within the Scope of Gender Equality and Women's Empowerment
- Rate of Improvement in Company Capacities Within the Scope of Gender Equality and Women's Empowerment (%)
- 2022 Number of Renewable Energy Projects Supported to Date by the End of the Year (#)
- 2022 Total Installed Capacity Supported to Date by the End of the Year (MW)
- As of the End of 2022, TSKB's Share in Turkey's Renewable Energy Capacity with the Projects Supported to Date (%)
- By the End of 2022, CO₂ Emission Reduction Contribution Provided by Renewable Energy Projects Supported (tons CO₂/year)
- Electricity Consumption (kWh)
- Electricity Density (kWh/m²)
- Natural Gas Consumption (m³)
- Natural Gas Density (m³/m²)
- Water Consumption (m³)
- Water Density (m³/employee)
- Paper Consumption (kg)
- Amount of Recycled Plastic and Paper (kg)
- Scope-1 Emissions (tonCO₂e)
- Scope-2 Emissions (tonCO₂e)
- Funding of New Coal-Fired Thermal Power Plants and Coal Mining Investments for Electricity Generation
- Mapping Analysis of Loan Portfolio with Sustainable Development Goals
- Renewable Energy Loan Disbursement Amount (USD)
- TSKB Materiality Matrix

Our assurance was with respect to the year ended 31 December 2022 information only and we have not performed any procedures with respect to earlier periods or any information other than Selected Information marked with in the 2022 Integrated Annual Report and, any other elements included in the 2022 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 section TSKB 2022 Integrated Annual Report – Reporting Principles (the “Reporting Principles”) on pages 150-160 of the 2022 Integrated Annual Report.

Integrated Annual Report Limited Assurance Report



The Bank's Responsibility

The Bank is responsible for the content of the 2022 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Principles. 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 non-financial 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 Principles.

In particular, the conversion of different energy measures to Gigajoule (GJ) and energy used 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 Principles. Our assurance work has not included examination of the derivation of those factors and other third-party information.

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 behavior.

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 Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000- "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000" Revised) and International Standard on Assurance Engagements 3410- "Assurance Engagements on Greenhouse Gas Statements" ("ISAE 3410").

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised) 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:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank and
- undertook 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 2022, is not properly prepared, in all material respects, in accordance with the Reporting Principles.

**Restriction of use**

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 Sınai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2022 Annual Report for the year ended 31 December 2022, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited 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 Sınai Kalkınma Bankası A.Ş. as a body and Türkiye Sınai 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.

A handwritten signature in blue ink, appearing to read "T. Gül", written over a light blue horizontal line.

Talar Gül, SMMM
Partner

Istanbul, ;3 March 2023

UNEP-FI Reporting Index Limited Assurance Report



Limited Assurance Report to the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

We have been engaged by the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. (the "Bank" or "TSKB") to perform a limited assurance engagement in respect of the Selected Sustainability Information (the "Selected Information") stated in the TSKB 2022 Integrated Annual Report (the "2022 Integrated Annual Report") for the year ended 31 December 2022 and listed below.

Selected Information

Selected Information in the scope of United Nations Principles for Responsible Banking Reporting Index - Comprehensive Summary of Bank's Response

The scope of the Selected Information for the year ended 31 December 2022, which is subject to our limited assurance work, set out in the pages 166, 167, 168, 169, 170, 171 and 172 of the 2022 Integrated Annual Report with the sign is summarised below:

- 1.1 Business Model Definition
- 1.2 Sustainable Strategy Plans
- 2.1 Impact Analysis
- 2.2 Goal Setting
- 2.3 Plans for the Implementation and Monitoring of Goals
- 2.4 Progress in the Implementation of Goals
- 3.2 Incentives for Sustainable Practices
- 4.1 Responsible Banking Principles Collaborations
- 5.1 Governance Structure Planning for the Implementation of the Principles
- 5.2 Promoting a Responsible Banking Culture
- 5.3 Governance Structure for the Implementation of the Principles
- 6.1 Progress in the Application of Responsible Banking Principles

Our assurance was with respect to the year ended 31 December 2022 information only and we have not performed any procedures with respect to earlier periods or any information other than Selected Information marked with in the 2022 Integrated Annual Report and, any other elements included in the 2022 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 section TSKB 2022 Integrated Annual Report – Reporting Principles (the "Reporting Principles") on pages 157, 158, 159 and 160 of the 2022 Integrated Annual Report.

The Bank's Responsibility

The Bank is responsible for the content of the 2022 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Principles. 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 non-financial 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 Principles.

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 behavior.

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 Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000- "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000" Revised).

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised). 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:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank and;
- undertook 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 2022, is not properly prepared, in all material respects, in accordance with the Reporting Principles.



Restriction of use

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 Sınai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2022 Integrated Annual Report for the year ended 31 December 2022, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited 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 Sınai Kalkınma Bankası A.Ş. as a body and Türkiye Sınai 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.

Talar Gül, SMMM
Partner

Istanbul, 3 March 2023

Reporting Guidance

Appendix-1: TSKB 2022 Integrated Annual Report – Reporting Principles

These reporting principles (the “Reporting Principles”) provides information on the methodologies for the preparation, calculation and reporting of data for the limited assurance indicators of Türkiye Sınai Kalkınma Bankası A.Ş. (the “Bank” or “TSKB”) included in the TSKB 2022 Integrated Annual Report (the “2022 Integrated Report”).

These indicators include financial, environmental and social indicators under 6 capital elements. It is the responsibility of the Bank’s management to ensure that appropriate procedures are in place to prepare these indicators, in all material respects, in accordance with the Principles.

The information contained in these principles covers the financial year ending December 31, 2022 and the relevant operations in Türkiye for which TSKB is responsible, as detailed in the “Key Definitions and Scope of Reporting” section.

General Reporting Principles

The following principles have been considered in the preparation of this guidance document:

- In the preparation of information - to emphasize to users of information the basic principles of relevance and reliability of information,
- In reporting information - emphasizing the principles of comparability/consistency of information with other data, including previous year, and the principles of understandability/transparency providing clarity to users.

Key Definitions and Scope of Reporting

For the purpose of this report, the Bank makes the following definitions:

Capital	Indicator	Scope
Human	Ratio of Female Employees in the Bank (%)	In the reporting period, it refers to the ratio of the number of female employees in the Banking Staff, which is defined as employees with a hierarchy code of 1000 and above, to the total number of employees.
Human	Ratio of Female Employees in the Management (%)	In the reporting period, it refers to the ratio of the number of female employees in the Bank's managerial staff, which is defined as employees with a hierarchy code of 6000 and above, including Manager and above positions, tracked through the Bank's Human Resources data platform, to the total number of managers.
Human	Ratio of Female Members in the Board of Directors (%)	In the reporting period, it refers to the ratio of female members of the Board of Directors among the members of the Board of Directors published on the Bank's official website and in the Annual Reports.
Human	Gender Pay Gap (Average)	In the reporting period, it refers to the ratio between the arithmetic averages of the gross salaries of the Bank's female and male employees, which are monitored through the Human Resources data platform and reported to the Social Security Institution.
Human	Gender Pay Gap (Median)	In the reporting period, it refers to the ratio of the median of the gross salaries of the Bank's female and male employees, which are monitored by the Human Resources data platform and reported to the Social Security Institution, when sorted from smallest to largest, which means taking the number that separates the series from the middle.
Human	Ratio of Employees in the Sustainability Structure	In the reporting period, it refers to the ratio of the number of employees in the Sustainability Committee/ Subcommittee and Sustainability Working Groups, whose committee members are announced and monitored, to the total number of employees.
Human	Average Annual Training Hours per Employee (hours)	In the reporting period, it refers to the ratio to the average number of employees of the Banking staff in the relevant year, which is monitored through the Bank's Training Portal. Banking staff does not include administrative staff employees.
Human	High Performance Employee Turnover Rate (%)	In the reporting period, it refers to the ratio of the Bank's employees whose performance grade in 2022 is 2.75 and above on average on a 1-4 point scale in the last 4 years and who are defined as high performance, to the number of people who left their jobs by declaring to the Bank's Social Security Institution with the Declaration of Termination of Employment within the reporting year.

Capital	Indicator	Scope
Human	Hybrid Working Rate (%)	In the reporting period, it refers to the ratio obtained by subtracting the ratio obtained by dividing the number of employees who entered the Bank between March 2021 and December 2021, which is monitored by Card Access System (KGS), first by working days and then by the number of employees, from 1. The number of employees entering the Bank, working days and number of employees are calculated on a monthly basis and employees on leave are not included in this monthly calculation. The entries of people with the same registration number who enter the Bank more than once during the day through the KGS system are counted once.
Human	Ratio of Female Employees on Maternity Leave (%)	In the reporting period, it refers to the ratio of the number of female employees who took maternity leave within the periods specified in the regulation within the scope of the Regulation on Part-Time Work to be Performed After Maternity Leave or Unpaid Leave, which is monitored by the Human Resources data platform, to the total number of employees.
Human	Ratio of return from Maternity Leave (%)	In the reporting period, it refers to the ratio of the number of people who went on maternity leave within the periods specified in the regulation within the scope of the Regulation on Part-Time Work After Maternity Leave or Unpaid Leave, which is monitored by the Bank's Human Resources data platform, to the number of employees returning from maternity leave.
Human	Ratio of Male Employees on Paternity Leave (%)	In the reporting period, it refers to the ratio of the number of employees who took paternity leave to the total number of employees within the periods specified in the regulation within the scope of the Regulation on Part-Time Work to be Performed After Maternity Leave or Unpaid Leave, which is monitored by the Bank's Human Resources data platform.
Human	Participation Rate in Employee Engagement Survey (%)	In the reporting period, it refers to the ratio of the number of employees who responded to the Bank's employee satisfaction survey conducted by AON Hewitt Kincentric (IDE Consulting) to the total number of employees for whom the survey was shared.
Human	Ratio of Female Employees Benefiting from Flexible Working Practices (%)	In the reporting period, it refers to the ratio of the number of female employee requests for flexible working in the Bank, which are monitored by the Bank's Flexible Working Report between January-December 2022, to the number of flexible working request entries of all employees.
Human	Ratio of Female Employees Who Changed Department (Rotation, Internal Transfer) (%)	In the reporting period, it refers to the ratio of the number of female employees included in the rotation process, which is characterized as internal transfer or temporary assignment in a different department, which characterizes the transfers between departments, which is monitored by the Bank's Human Resources data platform and notified to all employees with the Tamims, which are announcements within the Bank, to the total number of employees who change departments.
Human	Ratio of Female Employee Recruits (%)	In the reporting period, it refers to the ratio of the number of women recruited in the Banking staff, which is monitored by the Bank's Human Resources data platform, recruited by the Bank and declared to the Social Security Institution with the Declaration of Employment within the reporting year, to the total number of people recruited.
Human	Ratio of Female Employees Promoted (%)	In the reporting period, it refers to the ratio of the number of promoted female employees to the total number of promoted employees, which is monitored through the Bank's Human Resources data platform and notified to all employees through the announcement Tamims within the Bank.
Human	Ratio of Female Employees Joining TSKB through TSKB Academy New Graduate Program (%)	In the reporting period, it refers to the ratio of the number of female employees who successfully completed the TSKB Academy MT program and started to work as MTs at the Bank among the 4th year students of Business Administration, Economics, Engineering faculties or postgraduate students or recent graduates in the fields of Economics or Finance, to the total number of people participating in the TSKB Academy New Graduate Program.
Human	Ratio of Female Candidates Involved in Recruitment Process (%)	In the reporting period, it refers to the ratio of the number of female candidates interviewed during the recruitment process for open positions monitored by the Bank's Human Resources data platform to the total number of interviewed candidates.

Reporting Guidance

Capital	Indicator	Scope
Human	Ratio of Female Employees Represented the Bank at the Universities (%)	In the reporting period, it refers to the ratio of the number of female employees working in university collaborations, which is shared on the Bank's official website, to the total number of people working in university collaborations.
Human	Ratio of Female Employees Participating in the Sustainability Workshop (%)	In the reporting period, it refers to the ratio of the number of female participants in the case study on sustainability conducted for university students to the total number of participants.
Human	Ratio of Female Employees Participating in the Sustainability Workshop (%)	In the reporting period, it refers to the number of participants who participated in the Sustainability Workshop organized by the Bank in cooperation with Yıldız Technical University and tracked through participation forms.
Intellectual	TSKB Economic Research Reports and Blog Posts	In the reporting period, it refers to the number of reports prepared by the Bank's TSKB Economic Research Department in Turkish and English under the titles of TSKB Agenda, TSKB Weekly Agenda, Macro Opinion, Energy Bulletin, Climate News, TSKB Outlook, New Month, and blog posts published on the website https://www.tskb.com.tr/hizmetler/danismanlik-hizmetleri/ekonomik-arastirmalar and https://www.tskb.com.tr/blog .
Human	TSKB Sustainability Management Structure	In the reporting period, it refers to the number of the Bank's signed Tamimler and the number of groups, committee members announced and monitored, and the number of employees in the Sustainability Committee/Subcommittee and Sustainability Working Groups.
Social	Number of Companies to which the Assessment Tool was Applied and Various Support Mechanisms were Provided within the Scope of Gender Equality and Women's Empowerment	In the reporting period, it refers to the number of companies monitored by the Bank's Marketing Department, which were subjected to evaluation using the evaluation tool of the loans under the theme of "Gender Equality and Women's Empowerment Themed Loans" among the loans provided by the Bank, and for which action and development points were suggested as a result of participation in the evaluation survey.
Social	Rate of Improvement in Company Capacities Within the Scope of Gender Equality and Women's Empowerment (%)	In the reporting period, it refers to the improvement rate of the company's score in line with the action plans prepared for the companies that were below 60 points in the evaluation tool with the Development Finance Institution, with which the Bank cooperates, followed by the Bank's Marketing Department.
Financial	2022 Number of Renewable Energy Projects Supported to Date by the End of the Year (#)	In the reporting period, it refers to the number of renewable energy projects, including Biomass Power Plants, Geothermal Power Plants, Solar Power Plants, Hydroelectric Power Plants and Wind Power Plants, which are monitored through the Bank's loans screens and financed by contracts and Board of Directors' resolutions.
Financial	2022 Total Installed Capacity Supported to Date by the End of the Year (MW)	In the reporting period, it refers to the total installed capacity of renewable energy projects covering Biomass Power Plants, Geothermal Power Plants, Geothermal Power Plants, Solar Power Plants, Hydroelectric Power Plants and Wind Power Plants, which are monitored through the Bank's loans screens and financed by contracts and Board of Directors' resolutions.
Financial	As of the End of 2022, TSKB's Share in Türkiye's Renewable Energy Capacity with the Projects Supported to Date (%)	In the reporting period, it refers to the ratio of the total installed capacity of renewable energy projects covering Biomass Power Plants, Geothermal Power Plants, Geothermal Power Plants, Solar Power Plants, Hydroelectric Power Plants and Wind Power Plants, which are monitored through the Bank's loans screens and financed by contracts and Board of Directors' decisions, to the total installed capacity of renewable energy projects in Türkiye monitored through the Turkish Electricity Transmission Company (TEİAŞ) system.
Natural	By the End of 2022, CO ₂ Emission Reduction Contribution Provided by Renewable Energy Projects Supported (tons CO ₂ /year)	In the reporting period, it refers to the amount of CO ₂ emission reduction prevented by renewable energy projects including Biomass Power Plants, Geothermal Power Plants, Solar Power Plants, Hydroelectric Power Plants and Wind Power Plants, which are monitored through the Bank's loans screens and financed by contracts and Board of Directors' resolutions to date.
Natural	Electricity Consumption (kWh)	In the reporting period, it refers to the amount of electricity consumed, which is tracked from the invoices received by the Bank from service providers (12 months) and can be mapped with financial reporting systems.
Natural	Electricity Density (kWh/m ²)	In the reporting period, it refers to the ratio of the amount of electricity consumed to the total m ² , which is tracked from the invoices received by the Bank from service providers (12 months) and can be mapped with financial reporting systems. The consumption amount includes the locations of the Front and Back Buildings and Education and Culture Facilities.

Capital	Indicator	Scope
Natural	Natural Gas Consumption (m ³)	In the reporting period, it refers to the amount of natural gas consumed in the Bank's operations requiring heating, kitchen and other natural gas in the Front and Back Buildings, which is monitored from the invoices received from service providers (12 months) and can be mapped with financial reporting systems.
Natural	Natural Gas Density (m ³ /m ²)	In the reporting period, it refers to the ratio of the amount of natural gas consumed in the Bank's operations requiring heating, kitchen and other natural gas in the Front and Back Building, which can be tracked from the invoices received from service providers (12 months) and mapped with financial reporting systems, to the total m ² . Front and Back Building, Education and Culture Facilities locations are included in the consumption amount.
Natural	Water Consumption (m ³)	In the reporting period, it refers to the amount of municipal water consumed, which is monitored from the invoices received by the Bank from service provider institutions (12 months) and can be mapped with financial reporting systems.
Natural	Water Density (m ³ /employee)	In the reporting period, it refers to the ratio of the amount of municipal water consumption, which is monitored from the invoices received by the Bank from service providers (12 months) and can be mapped with financial reporting systems, to the total number of employees who actually come to the Bank in hybrid working order. The consumption amount includes the locations of the Front and Back Buildings and Education and Culture Facilities.
Natural	Paper Consumption (kg)	In the reporting period, it refers to the total amount of paper/cardboard consumption purchased and used by the Bank.
Natural	Amount of Recycled Plastic and Paper (kg)	In the reporting period, it refers to the total amount of plastic and paper/cardboard waste sent to Beyoğlu Municipality for recycling and tracked with signed waste reports.
Natural	Scope-1 Emissions (tonCO ₂ e)	In the reporting period, it refers to the amount of direct greenhouse gas emissions generated by the Bank's natural gas consumption tracked from invoices, diesel and gasoline consumption of company vehicles whose consumption amount is tracked from a third-party company, cooling gases and fire extinguishing gases tracked from the service forms of the maintenance company. Diesel and gasoline consumption of leasing vehicles that the Bank does not own are not included in the emission calculation.
Natural	Scope-2 Emissions (tonCO ₂ e)	In the reporting period, it refers to the amount of greenhouse gas emissions arising from electricity consumption used in lighting, heating and other operations requiring electricity at the Head Office, which is monitored from the invoices of the Bank's service provider companies.
Natural	Funding of New Coal-Fired Thermal Power Plants and Coal Mining Investments for Electricity Generation	In the reporting period, it refers to the presence of Coal Fired Thermal Power Plant and Coal Mining for Electricity Generation within the total investment financing projects monitored through the Bank's credit screens.

Reporting Guidance

Capital	Indicator	Scope
		In the reporting period, it refers to the ratio of the Bank's loan portfolio linked to sustainable development goals to the total loan portfolio. In the Bank's TSKB loan application list, loan themes, SDG links, risk amounts and disbursement sources are tracked in detail. SDG links are entered into the system according to the purpose of the project in addition to the main activities of the company. The subject and purpose of the loan are specified in loan agreements and loan approval forms between the Bank and the counterparty. Loans, loans related to non-renewable energy plants, working capital and acquisition loans of companies whose main activities are fuel distribution and coal trading are not defined as SDG loans. Sustainable themed loans are listed under 2 main headings: 1) APEX loans, which by definition are loans granted only to SMEs (Small and Medium Enterprises) and exporters through other financial institutions such as leasing companies, commercial banks and participation banks." 2) Themed loans are listed below; - Energy production - Renewable energy - Energy and resource efficiency - Environment and adaptation to climate change - Sustainable tourism - Underdeveloped regions - Electricity and gas distribution (only infrastructure loans are included in this scope) - Health and Education - Small and medium-sized enterprises - Women employment - Employment support - Occupational health and safety - Export support - Agriculture industries - Innovation and R&D
Natural	Mapping Analysis of Loan Portfolio with Sustainable Development Goals	
Natural	Renewable Energy Loan Disbursement Amount (USD)	In the reporting period, it refers to the amount of loans utilized in renewable energy projects including Biomass Power Plants, Geothermal Power Plants, Solar Power Plants, Hydroelectric Power Plants and Wind Power Plants allocated in 2022 with contracts and Board of Directors' decisions, which are monitored through the Bank's loan screens. In the Bank's TSKB loan application list, the loan subject, disbursement amounts and disbursement dates of the loans are followed in detail.

Preparation of the Data

1. Environmental Indicators

Electric Density (kWh/m²)

Formula:

Total Electricity Consumption / Front and Rear Building, Education and Culture Facilities m² Area

Natural Gas Density (kWh/m³)

Formula:

Total Natural Gas Consumption / Front and Rear Building, Education and Culture Facilities m² Area

Water Density (m³ /employee)

Formula:

Total Water Consumption / Total Number of Employees Who Actually Come to the Bank in Hybrid Working Order

TSKB's Share in Türkiye's Renewable Energy Capacity by the End of 2022 (%)

Formula:

TSKB Installed Capacity of Renewable Energy Capacity (MW) / Installed Capacity of Energy Capacity in Türkiye (MW)

Contribution to CO₂ Emission Reduction by the End of 2022 (tons CO₂/year)

The amount of CO₂ emission reduction avoided by renewable energy projects including Biomass Power Plants, Geothermal Power Plants, Solar Power Plants, Hydroelectric Power Plants and Wind Power Plants is calculated.

Formula:

*Electricity Generation Amount (kWh) * Emission Reduction Factor (tco₂e) * 0.001*

Emission Reduction Factor:

	tonsCO ₂ e/MWh
WPP and SPP:	0.681
BPP:	3.580
Other Projects:	0.540

Scope-1 Emissions

Scope 1 emissions consist of Natural Gas, Diesel, Gasoline, Refrigerant Gas and Fire Extinguishing Gas emissions.

Scope 1 Emissions are classified as follows;

- Stationary Combustion:
 - Natural Gas
 - Diesel (Generator)
- Mobile Combustion:
 - Diesel
 - Gasoline
- Fugitive Gas Emissions - Refrigerant Gas:
 - R22
 - R404A
 - R407C
 - R410A
 - R-134A
 - R-600a
- Fugitive Gas Emissions - Fire Extinguishing Gas:
 - HFC227ea
 - Novec1230

Scope 1 calculations are calculated in accordance with the control principles within the scope of the Greenhouse Gas Protocol ("Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard") and TS EN ISO 14064-1:2018 Greenhouse Gases-Part 1: Guidelines and Specifications for the Calculation and Reporting of Greenhouse Gas Emissions and Removals at the Entity Level" standard.

CO₂ equivalent factors consisting of CO₂, CH₄, N₂O CO₂ equivalent emission factors were used in the calculations. Global Warming Potential (GWP) coefficients are taken from the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report and the Greenhouse Gas Protocol (GHG Protocol), the resulting ton CO₂-e value is calculated by multiplying the resulting ton CO₂-e value by the coefficients from these guidelines.

Fugitive gas emissions are calculated according to the "2006 IPCC Guidelines for National Greenhouse Gas Inventories Chapter 7 for refrigerators, chillers, air conditioners and Cold Storages" and by taking into account the percentage of the Bank's charge, life and emission factors table inventory.

Scope-2 Emissions

Scope 2 emissions represent the amount of indirect greenhouse gas emissions resulting from the Bank's electricity consumption. Electricity is used for lighting, heating and other operations requiring electricity at the Bank's Head Office.

Scope 2 calculations are calculated in accordance with the control principles of the Greenhouse Gas Protocol ("Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard") and TS EN ISO 14064-1:2018 Greenhouse Gases-Part 1: Guidelines and Specifications for the Establishment-Level Calculation and Reporting of Greenhouse Gas Emissions and Removals" standard.

Reporting Guidance

2. Social Indicators

Ratio of Females in Total Employees (%)

Formula:

$$\text{Number of Female Employees} / \text{Total Number of Employees}$$

Ratio of Female Employees in Management (%)

Formula:

$$\text{Number of Female Employees in Management} / \text{Total Number of Managers}$$

Female and Male Salary Gap Ratio (Average) (%)

Formula:

$$\text{Average Gross Salary of Female Employees} - \text{Average Gross Salary of Male Employees}$$

Female and Male Salary Gap Ratio (Median) (%)

Formula:

$$((\text{Gross Salaries of Female Employees} + 1) / 2) - ((\text{Gross Salaries of Male Employees} + 1) / 2)$$

Average Remote/Hybrid Operation Rate (%)

Formula:

$$[(\text{Number of Daily Entries (Duplicate entries are counted as 1)} / \text{Working Day}) / (\text{Total Number of Employees})] \cdot 100$$

Ratio of Female Employees on Maternity Leave (%)

Formula:

$$\text{Number of Female Employees on Maternity Leave} / \text{Total Number of Employees}$$

Maternity Leave Return Rate (%)

Formula:

$$\text{Number of Female Employees Going on Maternity Leave} / \text{Number of Employees Returning from Maternity Leave}$$

Ratio of Female Employees Promoted (%)

Formula:

$$\text{Number of Promoted Female Employees} / \text{Total Number of Promoted Employees}$$

Ratio of Female Employees Who Changed Department (Rotation, Internal Transfer) (%)

Formula:

$$\text{Number of Female Employees Who Changed Departments} / \text{Total Number of Employees Who Changed Departments}$$

Ratio of Female Employee Hires (%)

Formula:

$$\text{Number of Female Hires} / \text{Total Number of Hires}$$

Ratio of Female Employees After TSKB Academy New Graduate Program (%)

Formula:

$$\text{Number of Female Employees Hired After New Graduate Program} / \text{Total Number of Employees Hired After New Graduate Program}$$

Ratio of Female Candidates Included in Recruitment Process (%)

Formula:

$$\text{Number of Female Candidates Interviewed for Open positions} / \text{Total Number of Candidates Interviewed for Open Positions}$$

Ratio of Female Employees Working as External Representatives at the University (%)

Formula:

$$\text{Number of Female Employees in University Collaborations} / \text{Total Number of Employees in University Collaborations}$$

Participation Rate in Employee Satisfaction Survey (%)

Formula:

$$\text{Number of Employees Participating in Employee Satisfaction Survey} / \text{Number of Employees Sent Employee Satisfaction Surveys}$$

UNEP-FI Responsible Banking Principles – Reporting Index

Reporting and Self-Assessment Requirements

2.1 Impact Analysis:

Demonstrate that the Bank has identified the positive and negative areas where it has the most impact through an impact analysis that meets the following elements:

- a) Scope: The main business areas, products/services in the regions in which the Bank operates, described in 1.1, are considered within the scope of the analysis.
- b) Disclosure Scale: In determining the areas where it has the greatest impact, the Bank has taken into account the industries, technologies and regions in which its main activities/key activities are related.
- c) Context and Compliance: TSKB has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) The Scale and Intensity/Significance of the Impact:
In determining the areas with the greatest impact, TSKB has taken into account the scale and intensity/significance of the (potential) social, economic and environmental impacts arising from the Bank's activities and products and services.

(The Bank should have contacted the relevant stakeholders to help inform its analysis under items c) and d).)

Based on this analysis, demonstrate that the Bank:

- Has identified and explained the areas with the most significant (potential) positive and negative impacts;
- Has identified strategic business opportunities related to increasing positive impacts/reducing negative impacts.

Reporting Index

UNEP-FI Portfolio Impact Analysis Tool for Banks

Within the scope of Principle 2, the impact analysis study was conducted as of the end of 2022 with the Portfolio Impact Analysis Tool for Banks developed by UNEP-FI, as in previous years. For this, the third version of the tool was used, updated by UNEP-FI in 2022 and transitioned to a “modular” format. The version used is monitored with the Assessment document. The Bank's loan portfolio (corporate loans & project finance) under Corporate Banking activities in Türkiye as of December 31, 2022 is included in the analysis. Although the Bank has investment banking and advisory services, they are not included in the Impact Assessment Tool assessment.
(Source: <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool/>)

On the implementation side, tool for the Bank's Corporate Banking (Corporate Banking and Project Finance) activities was run, which is one of Bank's three main activities and has a share of 69.5% in total assets as of end-2022. In this context, within the scope of the Bank's impact analysis, the main sectors the Bank provides financing to are Electricity Generation (39%) (Renewable Energy: 35%), other financial service activities (10.4%), manufacture of basic metals (6.7%), electricity and gas distribution (5.2%), transportation and storage (4.4%), human health and social service activities (4.1%), accommodation activities (5.6%), real estate activities (2.9%), manufacture of textile products (2.2%), chemical and chemical products manufacturing (2.2%) and manufacture of food products (2.6%).

Focused sectors were analyzed, and Türkiye's priority strategic areas were taken into consideration. In this context, Climate Stability and Healthy Economies were identified as impact areas within the scope of impact analysis.

Reporting Guidance

Reporting and Self-Assessment Requirements

2.2 Target Setting:

Demonstrate that the Bank has set and published at least two Specific, Measurable (can be qualitative or quantitative), Feasible, Relevant and Time-Limited (SMART) goals to address at least two of the “areas where TSKB has the most significant impact” on its activities, products and services.

Demonstrate that these goals are linked and contribute to the appropriate Sustainable Development Goals, the goals of the Paris Agreement and other relevant international, national or regional frameworks. The Bank must set a reference point (assessed for a particular year) and set goals on this basis.

Demonstrate that the Bank has analyzed and is aware of the significant (potential) negative impacts of the goals set for SDG / climate change / society goals on other aspects and has performed relevant activities to maximize the net positive impact of the goals and to reduce the negative impacts as much as possible.

2.3 Plans for Target Implementation and Monitoring:

Show the activities and milestones that the Bank has determined to achieve the set goals.

Demonstrate that the Bank has established methods for measuring and monitoring the set goals. The definitions of Key Performance Indicators, all changes in these definitions and a new regulation on the target base year should be transparent.

2.4 Progress on Implementing Targets:

Demonstrate, for each objective individually, the current practices that the Bank is implementing to achieve the target.

Alternatively, show why the planned activities cannot be implemented / to be changed need and the Bank’s plan how to achieve the set targets adaptation of the targets.

Disclose how the Bank adapts each of the in the last 12 months to reach someone ((up to 18 months at first reporting after becoming a signatory) and the progress it has made (Applicable) Report on the impact caused (Applicable when banks have quantitative disclosures must add).

Reporting Index

Based on the results of the Portfolio Impact Analysis Tool, targets were set in the impact areas of “Healthy Economies” and “Climate Stability” in line with the identified impact areas.

All of the targets announced under the UNEP-FI Responsible Banking Principles (4 targets - except other targets and commitments set by TSKB for capital items for the future period and included in the 2022 Integrated Annual Report) have specific timeframes.

The targets set by TSKB for capital items for the coming period, as described in the UNEP-FI Principles for Responsible Banking, are approved by the Executive Committee and the Sustainability Committee each year and included in the Statement of Responsibility attached to the Integrated Annual Report.

The implementation of the UNEP-FI Principles for Responsible Banking is monitored by the collaborations with Cooperation with Initiatives and Indexes Working Group among the working groups under the Sustainability Management Committee, and the Bank’s Sustainability Reporting Working Group works for the annual reporting. The results of the impact analysis and the targets set are monitored by the relevant teams under the coordination of the Sustainability Reporting Working Group, and the realizations of the key performance indicators set for measuring and monitoring the targets are calculated by the SDG Mapping Working Group.

The 4 targets announced under the UNEP-FI Principles for Responsible Banking are as follows:

- TSKB aims to provide SDG-linked financing of minimum USD 8 billion by 2030. As an intermediate goal,
- TSKB aims to provide SDG-linked financing of USD 3.5 billion and more by the end of 2025.
- TSKB aims to keep the ratio of SDG-linked loans in the total portfolio at 90% above from 2021 to 2025.
- TSKB aims to keep the share of loans linked to climate and environment-focused SDGs at 60% of the total loan portfolio.

The realizations of the targets for 2022 are as follows:

- SDG-linked financing of USD 2.2 billion has been extended since 2021, including USD 1.1 billion in 2022.
- In 2022, the ratio of SDG-linked loans in the total portfolio was 91%.
- The ratio of loans linked to climate and environment focused SDGs was 60%.

Reporting and Self-Assessment Requirements

5.3 Governance Structure for Implementation of the Principles

Demonstrate that the Bank has a governance structure for the implementation of the Principles of Responsible Banking. These activities should also include the following topics:

- a) Setting goals and carrying out activities to achieve these goals
- b) Carrying out corrective actions in case of failure to achieve goals or important stages or if an unexpected negative impact is detected.

6.1 Principles of Responsible Banking Progress in Implementation

In addition to setting and implementing goals in at least two areas, demonstrate how the Bank has made progress in implementing six Principles in the last 12 months (up to 18 months at first reporting after becoming a signatory). (See 2.1-2.4).

Demonstrate that the Bank takes into account current and developing international/regional good practices related to the implementation of the six Principles of Responsible Banking. To this respect, TSKB has defined priorities and goals to align with good practices.

Demonstrate that the Bank is making changes/working on its current practices and making progress in the implementation of these Principles in order to reflect and align existing and developing international/regional good practices.

Reporting Index

The monitoring of the targets set for the impact areas analyzed within the scope of the Principles is also under the responsibility of these working groups and coordination is ensured internally and externally. Compliance with the UNEP-FI Principles for Responsible Banking is supported by the Bank's decisions, policies, targets, collaborations and memberships. As one of the leading institutions supporting the Task Force on Climate-Related Financial Disclosures (TCFD), In 2022, we also joined the Net-Zero Banking Alliance (NZBA) initiative.

The Bank's activities related to national and international initiatives and best practices within the scope of sustainable banking can be found in the references below:

- It is among the "Early Adopter" institutions in the Communication on Progress (CoP) reporting revised by the UN Global Compact. <https://unglobalcompact.org/participation/report/cop/early-adopters>
- CDP (Carbon Disclosure Project) raised its rating to "A-" in Climate Change Program reporting. <https://www.cdp.net/en/responses?queries%5Bname%5D=TSKB>
- Sustainalytics ESG Risk Rating is 7.9 and the risk category is "negligible risk". As of the publication date, the Bank ranked first among Turkish banks, 12th among international development banks, 15th in the global banking sector and 60th among the 15,000 institutions evaluated by Sustainalytics. <https://www.sustainalytics.com/corporate-solutions/esg-solutions/top-rated-companies>

TSKB Materiality Matrix - Preparation Principles

Within the scope of the 2022 Integrated Annual Report, TSKB conducted a Stakeholder Engagement and Materiality Analysis Study in collaboration with Escarus. This study consists of 3 steps, including stakeholder communication and engagement, respectively.

1. Topic Universe: Identification of priority ESG topics to be included in the analysis.
2. Identification of Stakeholders: Identification of stakeholder groups to be included in the prioritization analysis.
3. Materiality Analysis: Analyzing the responses from stakeholder groups and creating the matrix.

Topic Universe

Representatives from the Bank's Corporate Compliance, Legal, Human Resources and Risk Management departments provided their opinions on the objectives and strategies. In addition, a workshop was held with the Sustainability Management Committee to finalize the topics to be included in the Materiality Analysis.

Reporting Guidance

In the process of identifying the topics, the Bank has taken references from sustainability frameworks such as GRI Standards, CDP, TCFD, SASB, United Nations Sustainable Development Goals, World Economic Forum (WEF) Global Risks Report and United Nations Principles for Responsible Investment within the scope of sector analysis on global trends and the financial sector.

As a result of the studies described above, TSKB's topic universe consisted of the following topics.

- Combating Climate Change
- Corporate Governance Practices
- Information Technology
- Protection of the Environment and Natural Resources
- Occupational Health and Safety, Employee Rights and Satisfaction
- Supply Chain and Responsible Value Chain Approach
- Customer Satisfaction
- Stakeholder Relations and Contribution to Society
- Financial Sustainability
- Product / Services

Topics covered in the Materiality Matrix from the identified topic universe headings:

- Ethics, Compliance with the Laws and Anti-Corruption
- Cyber Security and Data Privacy
- Management of Climate Risks and Opportunities
- Sustainable Financial Performance
- Competent Human Capital
- Employee Loyalty, Employee and Human Rights
- Digital Transformation and Agility
- Environmental and Social Impact Monitoring and Reporting
- Effective Risk Management
- Inclusiveness, Equal Opportunities and Diversity
- Customer Experience
- Stakeholder Capitalism and International Cooperation
- Supporting the UN SDGs
- Responsible Procurement and Supply Chain
- Corporate Social Responsibility
- Competitive Behavior

Stakeholder Survey

The Bank created a stakeholder survey by matching the topics created as a result of the topic universe study with questions. The stakeholder survey was designed to include assessments in three dimensions: (1) The general importance of the relevant topic for the stakeholder, (2) The adequacy of TSKB's current work on the topic from the stakeholder's perspective, (3) How important the topic will be for TSKB in the future.

Stakeholder surveys were sent to identified internal stakeholder and external stakeholder groups. Stakeholders were asked to prioritize the topic by giving each question a score between 1 and 10.

Internal Stakeholder Group

- Senior Management
- Sustainability Management Committee Members
- Board of Directors
- All Employees
- Shareholders
- Subsidiaries

External Stakeholder Group

- Development Finance Institutions
- Public Institutions / Auditors
- Customers
- Financial Institutions
- NGOs
- Academic Stakeholders
- Intermediary Institutions
- Suppliers

Stakeholder surveys were sent to internal and external stakeholder groups and 174 stakeholders (115 internal stakeholders and 59 external stakeholders) responded.

Stakeholder Weighting

The Bank determined the degree of importance of the opinions of internal and external stakeholders through a survey conducted among the members of the Sustainability Management Committee and determined a coefficient for each internal and external stakeholder group. This coefficient was multiplied by the numerical values of the responses received from internal and external stakeholders to form an input to the matrix.

Matrix Creation

The numerical values of the responses received from internal and external stakeholders were multiplied by the coefficient created as a result of the stakeholder prioritization study. The arithmetic averages of the responses of internal stakeholders and external stakeholders were taken. The resulting numbers were placed in the matrix in terms of prioritized issues. The X-axis of the matrix represents the numerical values of the responses of Internal Stakeholders and the Y-axis represents the responses of External Stakeholders.

X Axis:

Topic Specific,

Numerical Value of Internal Stakeholder Group Responses = Internal Stakeholder Group Response (1-10) x Stakeholder Weighting Coefficient Determined for Internal Stakeholder Group
Numerical Value of Internal Stakeholder Group Responses / Total Number of Internal Stakeholder Opinions

Y Axis:

Topic Specific,

Numerical Value of External Stakeholder Group Responses = External Stakeholder Group Response (1-10) x Stakeholder Weighting Coefficient Determined for Internal Stakeholder Group
Numerical Value of External Stakeholder Group Responses / Total Number of External Stakeholder Comments

Restatements

The measurement and reporting of verified data inevitably involves a degree of estimation. Where there is a change of more than 5% in the data at the partnership level, a re-statement of opinion may be considered.

ISO 14001 Audit Certificate



Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that:

Türkiye Sinai Kalkınma Bankası A.Ş.
Beyoğlu/ İstanbul
Meclisi Mebusan Cad. 81 Findikli
Beyoğlu/ İstanbul
İstanbul (Euro Side)
34427
Turkey

Holds Certificate No:

EMS 590918

and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

Investment and Development Banking Services.

For and on behalf of BSI:

Andrew Launn, EMEA Systems Certification Director

Original Registration Date: 2013-01-21

Latest Revision Date: 2021-02-15

Effective Date: 2021-04-27

Expiry Date: 2024-04-26

Page: 1 of 1



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BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.

ISO 14064 Audit Certificate



Verification Opinion

GHGEV 588323 – 15.02.2023

Responsible Party: TSKB Türkiye Sınai Kalkınma Bankası A.Ş.
Meclisi Mebusan Cad. 81
Fındıklı 34427 İstanbul

Type of GHG Statement:
Organisational

Identification of GHG Statement:
TSKB Türkiye Sınai Kalkınma Bankası A.Ş. GHG Report 2022

Scope of activities:
Investment and Development Banking Services

Organisational Boundary:
Operational Control

Sites Included in Organisational Boundary:
The organization has consolidated its facility-level GHG emissions by equity share approach. TSKB has only one campus by three building.

Management and operations have been occurred in same address; Meclisi Mebusan Cad. 81 Fındıklı 34427 İstanbul.

The organizational boundaries have been clearly defined. Organizational boundaries defined as; 1. Headquarters 2. Additional Service Building 3. Cennet Bahçesi

Reporting Boundary:
GHG emissions aggregated into the following categories at the organisational level

- Direct GHG emissions and removals
- Indirect greenhouse gas emissions from imported energy;
- Indirect GHG emissions from transportation
- Indirect GHG emissions from products used by the organisation
- Indirect GHG emissions associated with the use of products from the organisation
- Greenhouse gas emissions from other sources

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Criteria for developing the organisational carbon footprint:
ISO14064-1:2018
TSKB Türkiye Sınai Kalkınma Bankası A.Ş. GHG Management System Documentation

Level of Assurance:
Reasonable

Materiality level:
%7

Period:
01.01.2022-31.12.2022

GHG Emissions:

DIRECT GHG EMISSIONS		
1- Direct GHG emissions and removals;	411	tCO ₂ e
INDIRECT GHG EMISSIONS		
2 - Indirect GHG emissions from imported energy;	0	tCO ₂ e
3 - Indirect GHG emissions from transportation;	195.3	tCO ₂ e
4 - Indirect GHG emissions from products used by organization;	320.3	tCO ₂ e
5 - Indirect GHG emissions associated with the use of products from the organization;	2,632,902.8	tCO ₂ e
6 - Indirect GHG emissions from other sources	0	tCO ₂ e
TOTAL (Location based)	2,633,830	tCO₂e

Anthropogenic GHG emissions	2,633,830	tCO ₂ e
Anthropogenic biogenic GHG emissions	0	tCO ₂ e
Non-anthropogenic biogenic GHG emissions	0	tCO ₂ e

Verification Opinion: Verified as Satisfactory

Based on the process and procedures conducted, there is no evidence that the GHG report 2022 produced by TSKB Türkiye Sınai Kalkınma Bankası A.Ş.
- is not a fair representation of GHG data and information;
- has not been prepared in accordance with ISO14064-1:2018

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Verification Activities:

The following were the verification activities undertaken:

- Evaluation of the monitoring and controls systems through interviewing employees observation & inquiry
- Verification of the data through sampling recalculation, retracing, cross checking, reconciliation

The quantification and reporting of the carbon footprint have been independently verified by BSI against the specifications defined in ISO 14064-1:2018. The verification activity has been carried out in accordance with ISO 14064-3:2019 and the principles of ISO 14065:2020

Responsibilities:

The data on which the footprint is based has been provided by TSKB Türkiye Sınai Kalkınma Bankası A.Ş. in the document GHG report 2022. This document is the responsibility of TSKB Türkiye Sınai Kalkınma Bankası A.Ş. and is historical in nature.

The responsible party is responsible for the preparation and fair presentation of the GHG statement in accordance with the criteria.

The verifier is responsible for expressing an opinion on the GHG statement based on the verification

Lead Verifier: Mehmet Kumru

Signed on behalf of BSI:

Theuns Kotze, Managing Director Assurance – IMETA

Issue Date: 16.02.2023

NOTE: BSI Eurasia Belgeleendirme Hizm. Ltd. Sti. is independent to and has no financial interest in TSKB Türkiye Sınai Kalkınma Bankası A.Ş. This verification Opinion has been prepared for TSKB Türkiye Sınai Kalkınma Bankası A.Ş. only for the purposes of verifying its statement relating to its carbon emissions more particularly described in the scope above. It was not prepared for any other purpose. In making this Statement, BSI Eurasia Belgeleendirme Hizm. Ltd. Sti. has assumed that all information provided to it by TSKB Türkiye Sınai Kalkınma Bankası A.Ş. is true, accurate and complete. BSI Eurasia Belgeleendirme Hizm. Ltd. Sti. accepts no liability to any third party who places reliance on this Statement.

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Certificate of Registration

INFORMATION SECURITY MANAGEMENT SYSTEM - ISO/IEC 27001:2013

This is to certify that:

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Meclisi Mebusan Cad. 81 Fındıklı
Beyoğlu/ İstanbul
İstanbul (Euro Side)
34427
Turkey

Holds Certificate No:

IS 748549

and operates an Information Security Management System which complies with the requirements of ISO/IEC 27001:2013 for the following scope:

IT governance, IT security, IT Software development, IT infrastructure of System Support and Operations, Application Development Departments, Information Security and Quality, Database Management units required for operating the bank operations of TSKB. The management system is in accordance with the Statement of Applicability dated 10.04.2021 Version 1.

For and on behalf of BSI:

Andrew Launn, EMEA Systems Certification Director

Original Registration Date: 2021-06-15

Latest Revision Date: 2021-06-15

Effective Date: 2021-06-15

Expiry Date: 2024-06-14

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ISO 45001 Audit Certificate

Sertifika CERTIFICATE

TÜRKİYE SINAİ KALKINMA BANKASI

ÖMER AVNI MAHALLESİ MECLİSİ MEBUSAN CADDESİ NO: 81 FINDIKLI
BEYOĞLU/İSTANBUL/TÜRKİYE

ISO 45001:2018

Kapsam/Scope

YATIRIM BANKACILIĞI HİZMETLERİ
INVESTMENT BANKING SERVICES
EA 32

Bu sertifika ile yukarıda adı geçen kuruluşun İş Sağlığı ve Güvenliği Yönetim Sistemi gerekliliklerini karşıladığı tasdik olunur.

This is to certify that the above mentioned company meets the requirement of Occupational Health & Safety Management System:

Sertifika No / Certification Number	: 03.21.9397.0317.T
İlk Kayıt Tarihi / Date of Initial Reg.	: 13.07.2021
Basım Tarihi / Date of Certificate	: 28.07.2022
Geçerlilik Tarihi / Date of Expiry	: 12.07.2023
Belgelendirme Periyodu / Certification Period	: 3 yıl / 3 years
Revizyon / Revision	: 001

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TÜRKAK BGS NO
YS-F101-1198

AB-0160-YS



ANNEXES

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UNEP-FI Responsible Banking Principles Reporting Index

Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks	
Reporting and Self-Assessment Requirements	High-level Summary of Bank's Response
1.1 Bank's Business Model	In 2022, we continued to offer products and services to our customers in Corporate Banking, Investment Banking and Advisory Services. In 2022, we extended a total of USD 1.4 billion loans in cash under Corporate Banking, Project Finance and APEX Banking activities. As of the end of the year, the share of investment loans in the total loan portfolio reached 72%, while the share of working capital loans was 22%. The share of APEX loans was 6%. With the new loans extended in 2022, we financed women's employment and projects in developing regions on the axis of inclusion which covers economic and social sustainability themes, as well as investments in the capacity increase in various industries, especially investments in electricity distribution and renewable energy activities. We also focused on the working capital needs of our customers. As of the end of 2022, electricity generation has the largest share in TSKB's loan portfolio, with 39%. Renewable energy projects account for 91% of the electricity generation portfolio. ✓ The share of renewable energy projects in our total portfolio is 35%. ✓ The total installed capacity of 388 projects that we are involved in financing since 2002 is 8,312 MW, which represents 15% of Türkiye's total installed capacity in renewable energy. ✓ As part of the Bank's combat against climate change, we declare that we will not finance greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes. ✓ The Bank's financial key performance indicators and ratios are presented in the 2022 Integrated Annual Report on page 53.
1.2 How the bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks	As TSKB, we structure our operations in line with the Sustainable Development Goals (SDGs), the Paris Climate Agreement and national/regional frameworks and base our sustainable banking strategy on three main pillars: • Supporting Türkiye's sustainable development model, • Playing an active role in combating and adapting to climate change, • Contributing to Türkiye's transition to an industry based on a low carbon economy. Within this context, the developments we closely monitored in 2022 and our internal and external activities are as follows: In 2022, we have obtained more than USD 750 million in funding through development finance institutions and financial institutions. The climate finance theme was mainly prominent in the said funds. In 2022, when we ended with the focus on sustainable banking, 80% of our funding structure and 91% of our loan portfolio were sustainability-linked. ✓ Climate change has also been a topic on the agenda of the financial sector and regulatory agencies. The "Sustainable Banking Strategic Plan" was published by the BRSA to determine the roadmap for supporting the financing of activities to reduce greenhouse gas emissions within the scope of the Paris Agreement and the European Union Green Deal, managing financial risks stemming from climate change and developing sustainable banking activities. - Türkiye announced the updated Nationally Determined Contributions (NDCs) at the 27th Conference of the Parties (COP 27) held in Sharm El Sheikh in 2022. Türkiye's target for reduction from the increase announced as 21 percent for 2030 in 2015 has been increased to 41 percent within the framework of the new NDCs. According to the new NDCs announced at COP 27, it is planned that Türkiye's greenhouse gas emissions will reach their peak in 2038 and be reduced in line with the 2053 net-zero emission target after that date. The current NDCs require significant transformations in all areas related to the climate, from energy to industry, from transportation to buildings, and from the waste sector to waste areas. - In line with the 2053 net-zero emission target, Türkiye's Long-Term Climate Change Strategy (LCCS) and Action Plan preparatory work continued intensively in 2022 with the participation of stakeholders from all relevant industries. At the Climate Council held in February 2022, representatives of our Bank contributed to the country's targets in this area with the views they expressed. As an output of all these activities, it is aimed to prepare a strong policy document to support the necessary transformation in the industries. - In 2022, the details of the draft of the Climate Law and the Emission Trading System (ETS) became clearer. The Climate Law is expected to enter into force in 2023 and the ETS in 2024. As TSKB, we stand behind the legislation and strategy development activities performed in the green transformation of the industry and contribute to them. - The issue of combating climate change and compliance is an important agenda item of the TSKB Sustainability Committee as well. As one of the biggest indicators of this, we became a signatory of the Net-Zero Banking Alliance (NZBA) ✓ established by the United Nations Environment Programme Finance Initiative (UNEP-FI) in the last quarter of 2022. We are committed to align our loan and investment portfolio with our zero-emission targets by 2050 within the scope of this signatory status. - We have completed our application to the Science Based Targets Initiative for our Scope 1-2-3 emissions; our verification process is ongoing. ✓ - We participated very actively in COP 27, as we did in previous Conferences of the Parties. We shared our experience, approaches and practices in climate change and finance with relevant parties at various events and platforms (such as MDB, IDFC, and Republic of Türkiye Pavilions). - We followed the developments related to SDGs on a global and national scale and participate in trainings. We participated in information sharing workshops about our SDG Mapping Model with IDFC member banks and consultant organization Natixis. We carried out external assurance studies in 2022 for the audit of our SDG Mapping Model. SDGs 1, 7, 8, 9, 12, 13 and 17 were prominent among the SDGs supported through lending activities, while the share of SDG-linked loans reached 91% of total loans. ✓

Principle 2: Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts

2.1 Impact Analysis

As TSKB, in line with the principles of responsible banking, we attach importance to the management of environmental impacts arising from our operational activities and the assessment of the environmental and social impacts of the projects we finance, and we continue to develop our impact analysis approach in order to evaluate the positive and negative impacts of our activities.

- In this context, developments and activities for 2022 are as follows: Implementing many first and pioneering practices in the Turkish financial sector towards Türkiye's transition to a low carbon economy, our bank has been measuring and managing its carbon footprint since 2006. In 2022, we successfully completed ISO 14001, ISO 14064, and ISO 45001 audits.

- With our banking approach prioritizing climate risks and opportunities, as a signatory of the Net-Zero Banking Alliance established by the United Nations Environment Program Finance Initiative, we have added a new one to our commitments in the global arena. With this signature, our Bank commits to align the loan and investment portfolio with the zero-emission targets by 2050. In the upcoming period, we will determine our roadmap and targets in line with our zero emission commitment until 2050 and transparently share our performance with our stakeholders.

- We are also effectively using the Climate Risks Evaluation Tool (CRET) model that we have prepared in order to include climate risks in the decision-making mechanism in our committee process. The mentioned model has been developed as a rating tool to measure the level of physical and transition risks in the financed projects. With this model, we aim to detect climate-related risks at an early stage and reduce the negative financial effects of these risks. The development of this model is also considered an important step for the process of integrating climate change-related risks into our loan evaluation, allocation, and monitoring processes by the end of 2023, which is one of the goals described in the TCFD report of our Bank. Gender sensitivity of the plans and actions we have prepared with our social expert, whom we added to our team in 2022, along with our customers within the scope of our environmental and social risk management approach is also one of the topics we pay attention to the most. In the upcoming period, we will continue our work in this field and continue to increase the awareness levels of our customers and contribute to their development with action plans

- As part of the fight against climate change, we monitor the sensitivities of the sectors in our portfolio to climate risks with the **Portfolio Heat Map** we have prepared by using the TCFD recommendations. Our application validation process to the Science Based Targets Initiative for our Scope 1- 2-3 emissions continues. The base year of our Scope 1 target in the approval process has been changed from 2020 to 2021. With the new revised target, based on 2021, we aim to reduce the Scope 1 emissions by 58.8% by 2035, keep the Scope 2 emissions at zero level by continuing to use renewable energy, and continue the Scope 3 emission calculations as regards the measurements of greenhouse gas emissions of the companies operating in carbon-intensive sectors in our portfolio.

UNEP-FI Portfolio Impact Analysis Tool for Banks

Within the scope of Principle 2, we conducted our impact analysis study as of the end of 2022 with the Portfolio Impact Analysis Tool for Banks developed by UNEP-FI, as in previous years.

For this, we used the third version of the tool, updated by UNEP-FI in 2022 and transitioned to a "modular" format. One of the improvements in this version is that the impact areas and matches of the tool have been updated as part of the revised Impact Radar ("Impact Radar", July 2022) (Source: <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool/>)

On the implementation side, we ran the tool for our Corporate Banking (Corporate Banking and Project Finance) activities, which is one of our three main activities and has a share of 69.5% in our total assets as of end-2022. In this context, within the scope of our impact analysis, the main sectors we provide financing to are Electricity Generation (39%) (Renewable Energy: 35%), other financial service activities (10.4%), manufacture of basic metals (6.7%), electricity and gas distribution (5.2%), transportation and storage (4.4%), human health and social service activities (4.1%), accommodation activities (5.6%), real estate activities (2.9%), manufacture of textile products (2.2%), chemical and chemical products manufacturing (2.2%) and manufacture of food products (2.6%).

Based on these sectors that we predominantly finance and taking into account the priority strategic areas for Türkiye's sustainable development, we have identified the impact areas that we need to focus on within the scope of our impact analysis as follows:

- Climate Stability
- Healthy Economies

As mentioned above, since the impact areas within the Portfolio Impact Analysis Tool have been updated with the revised Impact Radar, the impact areas "Climate", "Economic Transformation" and "Resource Efficiency/Security" identified within the scope of the previous year's impact analysis are taken into consideration as follows

- Climate → Climate Stability
- Economical Transformation → Healthy Economies
- Resource Efficiency/Security → Climate Stability

Integrated Annual Report 2022

Natural Capital

CDP 2022 Report

UNEP-FI Responsible Banking Principles Reporting Index

2.2 Target Setting	The targets whose realizations are ongoing within the scope of 2021 UNEP-FI Responsible Banking Principles and impact areas that were determined within the scope of the current impact analysis are as follows: <table><tr><th>Impact Areas</th><th>Target</th></tr><tr><td>Healthy Economies & Climate Stability</td><td>TSKB aims to provide SDG-linked financing of minimum USD 8 billion by 2030. As an intermediate goal, TSKB aims to provide SDG-linked financing of USD 3.5 billion and more by the end of 2025.</td></tr><tr><td>Healthy Economies & Climate Stability</td><td>TSKB aims to keep the ratio of SDG-linked loans in the total portfolio at 90% and above from 2021 to 2025.</td></tr><tr><td>Climate Stability</td><td>Keeping the share of loans linked to climate and environment-related SDGs at 60% of the total loan portfolio</td></tr><tr><td>İklim Dengesi</td><td>İleri teknoloji destekli enerji verimliliği projeleri dahil olmak üzere iklim risklerinin azaltımı ve uyumu ile döngüsel ekonomi temalı 450 milyon ABD Doları tutarında finansman sağlamak</td></tr></table> These targets in the table are further supported by our other targets and commitments under the 6 capitals, particularly natural capital and social capital, in the 2022 Integrated Annual Report. (Pages 86 and 87 of the Integrated Annual Report) The most prominent among these targets are as follows: - To continue working with the Science-Based Targets Initiative (SBT-i) and determine our sectoral targets for the transition to a carbon free economy (fair) by the end of 2024 within the framework of our signatory status in and commitments to the United Nations Net Zero Banking Alliance (NZBA) - To avoid financing greenfield coal-fired thermal power plants and coal mining investments for electricity generation purposes as part of its combat against the climate change	Impact Areas	Target	Healthy Economies & Climate Stability	TSKB aims to provide SDG-linked financing of minimum USD 8 billion by 2030. As an intermediate goal, TSKB aims to provide SDG-linked financing of USD 3.5 billion and more by the end of 2025.	Healthy Economies & Climate Stability	TSKB aims to keep the ratio of SDG-linked loans in the total portfolio at 90% and above from 2021 to 2025.	Climate Stability	Keeping the share of loans linked to climate and environment-related SDGs at 60% of the total loan portfolio	İklim Dengesi	İleri teknoloji destekli enerji verimliliği projeleri dahil olmak üzere iklim risklerinin azaltımı ve uyumu ile döngüsel ekonomi temalı 450 milyon ABD Doları tutarında finansman sağlamak	Integrated Annual Report 2022 Natural Capital
Impact Areas	Target											
Healthy Economies & Climate Stability	TSKB aims to provide SDG-linked financing of minimum USD 8 billion by 2030. As an intermediate goal, TSKB aims to provide SDG-linked financing of USD 3.5 billion and more by the end of 2025.											
Healthy Economies & Climate Stability	TSKB aims to keep the ratio of SDG-linked loans in the total portfolio at 90% and above from 2021 to 2025.											
Climate Stability	Keeping the share of loans linked to climate and environment-related SDGs at 60% of the total loan portfolio											
İklim Dengesi	İleri teknoloji destekli enerji verimliliği projeleri dahil olmak üzere iklim risklerinin azaltımı ve uyumu ile döngüsel ekonomi temalı 450 milyon ABD Doları tutarında finansman sağlamak											
2.3 Plans for Target Implementation and Monitoring	As detailed in article 5.3 of this report, the implementation of the UNEP-FI Principles for Responsible Banking is monitored by the collaborations with International Initiatives and Indexes Working Group among the working groups under the Sustainability Management Committee, and the Bank's Sustainability Reporting Working Group  works for the annual reporting. The results of the impact analysis and the targets set are monitored by the relevant teams under the coordination of the Sustainability Reporting Working Group, and the realizations of the key performance indicators set for measuring and monitoring the targets are calculated by the SDG Mapping Working Group.	Integrated Annual Report 2022 Governance Structure Sustainability										
2.4 Progress on Implementing Targets	The share of the loans targets that were set and monitored in 2021 Reporting and the loans within the scope of 2022 Reporting that contribute to the climate and environment linked SDGs in our loan portfolio is as follows: <table><tr><th>Target</th><th>Realization</th></tr><tr><td>TSKB aims to provide SDG-linked financing of minimum USD 8 billion by 2030. As an intermediate goal, TSKB aims to provide SDG-linked financing of USD 3.5 billion and more by the end of 2025.</td><td>SDG-linked financing of USD 2.2 billion has been extended since 2021, including USD 1.1 billion in 2022. Progress is in line with the target. </td></tr><tr><td>TSKB aims to keep the ratio of SDG-linked loans in the total portfolio at 90% and above from 2021 to 2025.</td><td>In 2022, the ratio of SDG-linked loans in the total portfolio was 91%. </td></tr><tr><td>TSKB aims to keep the share of loans linked to climate and environment-focused SDGs at 60% of the total loan portfolio.</td><td>The ratio of loans contributing to climate and environment focused SDGs in was 60%. </td></tr></table> Realization of the new target added with the 2022 report will be provided in the 2023 year-end report.	Target	Realization	TSKB aims to provide SDG-linked financing of minimum USD 8 billion by 2030. As an intermediate goal, TSKB aims to provide SDG-linked financing of USD 3.5 billion and more by the end of 2025.	SDG-linked financing of USD 2.2 billion has been extended since 2021, including USD 1.1 billion in 2022. Progress is in line with the target. 	TSKB aims to keep the ratio of SDG-linked loans in the total portfolio at 90% and above from 2021 to 2025.	In 2022, the ratio of SDG-linked loans in the total portfolio was 91%. 	TSKB aims to keep the share of loans linked to climate and environment-focused SDGs at 60% of the total loan portfolio.	The ratio of loans contributing to climate and environment focused SDGs in was 60%. 	Integrated Annual Report 2022 Natural Capital		
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Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations		
3.1 The policies and practices the bank has in place and/ or is planning to put in place to promote responsible relationships with its customers	We encourage our customers to adopt sustainable and responsible practices. By anticipating changing conditions, our Bank recognizes and defines the needs of its customers and produces need-oriented solutions. Reflecting an integrated perspective on its strategy and all business processes, our bank adopts an inclusive approach that takes into account the priorities and expectations of its stakeholders when determining material issues. Accordingly, within the scope of the activity cycle, we regularly carry out analyses in order to harmonize our strategic and material issues with the opinions of all our stakeholder groups and provide information about our approach to these issues in reporting processes. We support our customers in all matters they need, with appropriate and diverse financing resources, and high-quality investment banking and advisory services, and help our customers transition to more sustainable practices and business models. We diversify and develop innovative products, initiatives and information sharing channels for environmental and social development for our customers, within the scope of our sustainable and responsible banking approach. In parallel with our mission of supporting Türkiye's sustainable and inclusive development, we implement various awareness, development, education, culture and arts projects on climate change, low carbon economy, women's participation in production and equal opportunity.	Integrated Annual Report 2022 Stakeholder Participation and Materiality Analysis
3.2 How the bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities	In 2022, we continued our activities in corporate banking, investment banking and advisory services by implementing the following innovative tools and ESG products, conducting theme studies and executing innovative projects. - In 2022, we published TSKB Responsible Sustainability Communication Policy for the first time in finance sector. ✅ With this policy published by our Bank as a guide, we aim to raise awareness for the segregation of value added steps taken for a sustainable future in all sectors. - Within Innovative ESG Products - Investment Banking Working Group established in 2021 to develop sustainable labeled products on behalf of our customers and work to implement similar applications in our Bank and our subsidiary Yatırım Finansman by following the examples of good practices in the world, we have followed sustainable and green labeled products and developments in the world and Turkish capital markets, participated as speakers in organizations related to this issue, and cared for stakeholder cooperation. - We continued to follow the developments in the EU Green Deal and support our customers in parallel with the developments within the scope of the EU Green Deal with all our business lines. - We became the first bank in the finance sector to implement afforestation by aerial seeding, in cooperation with the social enterprise Ecording, in order to restore the forests lost by the fires. Within the scope of this project, which is indexed to our investment loans, we planted a total of 86,000 seeds on hard-to-reach lands by means of ecodrones in 2022. - In line with our vision of supporting inclusive development, we continued to take responsibility for increasing women's employment and promoting equal opportunities in business life in Türkiye. In addition to our lending activities, we continued our impact in corporate environment in 2022 with social responsibility projects such as "Equal Steps", "Empowerment Through Education Scholarship Fund", and "Women Stars of Tomorrow". - Within the scope of the World Bank Inclusive Access to Finance Project, Gender Bias Analysis survey applications have been completed. - In 2022, we have added special surveys, which focus on measuring gender equality practices, to the activities we carry out to increase awareness in the real sector. The survey was shared with our Bank's customer portfolio. In addition to our environmental focus, our socially-oriented investments continued to strengthen during the year with both lending activities and social responsibility projects	Integrated Annual Report 2022 Social Capital Governance Structure Sustainability Social Capital

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Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals

4.1 Which stakeholders (or groups/ types of stakeholders) the bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving the bank's impacts

Our Bank is a private development and investment bank which provides services for green transformation in cooperation with all stakeholders in both sustainable development financing, as well as in investment banking and advisory.

As elaborated on pages 38-39 and 109-110 of the 2022 Integrated Annual Report, TSKB supports numerous national and international initiatives (IDFC, UNEP-FI, TCFD, UNGC, IIF, ELTI, LTIC, I4CE, ADFIMI, etc.) and declarations, and participates in or chairs the working groups.

In this context, we took the following actions in 2022 within the scope of compliance with the Responsible Banking Principles and in order to improve their impact, and continued to develop collaborations with our relevant stakeholders.

- In 2022, we provided nearly USD 650 million in funding from five different development finance institutions. 🟢 A major part of this funding was climate finance-themed. While inclusiveness takes its place in our mainstream themes, we have added the circular economy, which we think will become even more widespread in the medium and long term, into our financing themes.
- New Theme Working Group, which was established as a sub-unit of the Funds Management Committee, as well as the affiliated sub-working groups on European Green Deal, Circular Economy and Adaptation to Climate Change continued their works in 2022. Created with the efforts of theme groups and communicated with external stakeholders, the reports were updated with developments in 2022, and theme update reports were prepared. In addition, the *Sustainable Food Systems Theme Study Report* was published in 2022 🟢
- As **TSKB Economic Research**, in our publications, we continued to attach special importance to the discussions on the climate crisis and the European Green Deal in 2022, as we did in 2021. We offered insights into the latest developments in the European Green Deal with the study named "Deal? The Latest Developments in the European Green Deal and Green Transformation." 🟢
- For the report titled "*Energy Outlook 2022*" prepared by **TSKB Energy Working Group** and published in December, 🟢 it was deemed appropriate to publish a report with a more compact content and outlining the developments in Türkiye in 2022, when developments that could be characterized as a crisis in the energy sector were experienced and economic turmoil affected the whole world.
- *The Business World Plastics Initiative-The Plastics Commitments Progress Report*, which includes our performance for 2022, was published last year. 🟢
- We continued our efforts on gender equality, climate change, biodiversity, compliance with SDGs, and similar issues in 2022 within the International Development Finance Club (IDFC), of which TSKB has been an active member since 2011 and became a member of the Management Committee in 2019. The main highlights during the year are as follows:
 - We focused on the action plans proposed in the "*IDFC Collective Roadmap*" report, 🟢 which was started to be prepared in 2021 and published in 2022 by the Frankfurt School of Finance and Management within the business plan of the IDFC Gender Equality Working Group, of which our bank is the chief coordinator.
 - We contributed to the "*SDG Alignment*" study, which was conducted with Natixis advisory firm in the IDFC on compliance with SDGs and published in December 2022.) 🟢
- In 2022, we continued to serve as the Chair of the TBB Sustainability Working Group, which was established in 2020. Within this framework, presentations to share experiences on Sustainability issues were delivered by Banks every month, and BRSA officials also participated in these meetings as guests. Some of the presentations presented in the meetings can be accessed from [here](#).
- During the year, studies were carried out to prepare a Guide on the "Preparation of Heat Map Methodologies and Creation of a Green Asset Ratio." The Sustainability Sub-Working Group has been established specifically on this topic and the said working group convenes monthly with the BRSA officials. At each meeting, the green asset technical criteria studies on a sectoral basis have been presented for discussion by one or more banks. It is expected that the guide study will be completed in February 2023.
- In 2022, a round table meeting titled "Türkiye Transition Finance Workshop" was organized in cooperation with the Institute of International Finance (IIF) and hosted by TBB. At the meeting, the environmental transformation process in Türkiye was discussed and five banks, including our Bank, made presentations on the planning and implementation of the transition to Net Zero and exchanged views with the World Bank, IIF, MC Kinsey, and GFANZ officials

Integrated Annual Report 2022

Governance Structure | Sustainability

Financial Capital

Intellectual & Manufactured Capital

Governance Structure | Sustainability

Natural Capital

Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 The relevant governance structures, policies and procedures the bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles	All sustainability efforts across the Bank are managed by the Sustainability Committee, which was established in 2014 and consists of 4 Board Members, CEO and 2 Executive Vice Presidents as of the end of 2022. ✓ Sustainability Committee convened 3 times in 2022 to ensure the coordination of business plans and activities created within the scope of our strategy, vision, and goals in sustainability, closely monitor the activities of the sustainability management committee and working groups. Our sustainability activities are carried out by 11 Working Groups affiliated to the Sustainability Management Committee. In this context, we categorize our activities under four main headings: Strategy, Corporate Governance, Environment and Climate, and Social Impact and Inclusion. ✓ In 2022, we updated TSKB's Sustainability Policy and seven supporting policy documents in the light of global sustainability standards, sustainability indices and other developments of priority. In addition to the auxiliary policies, we published the TSKB Responsible Communication Policy in 2022. ✓ With this policy, which is a first in our country, we have determined the principles that take into account the understanding of sustainability and responsible banking in our brand communication activities. As of the end of 2022, 69 people from TSKB's 23 departments took part in Committees and Working Groups. This represents 18% of the banking staff. ✓ The objectives of the Sustainability Committee are distributed to every employee involved in this structure and are considered as a part of the employee performance evaluation. In addition, we have been included in the newly established BIST25 Sustainability Index by maintaining our place in the BIST Sustainability Index in 2022. A new methodology was applied by the external consultant Refinitiv company, which started to evaluate the ESG performance of the companies included in the index in 2022. In accordance with this methodology, we conducted gap analysis and action plan studies and increased our rating to A. ✓ Our Sustainability ESG Risk Rating, which was updated in November, 2022, was determined as 7.9, and our risk category was determined as "negligible risk" As of the date of publication, our Bank, which was ranked first among Turkish Banks, was ranked 12th among international development banks, 15th in the global banking industry, and 60th among about 15 thousand institutions evaluated by Sustainalytics. ✓ Our Bank, which is the only Turkish institution listed in the list of Sustainalytics Top 50, has also been included in the list of best institutions in its sector and region. ✓	Integrated Annual Report 2022 Governance Structure Sustainability <i>TSKB Responsible Corporate Communications Policy</i> Natural Capital
5.2 The initiatives and measures the bank has implemented or is planning to implement to foster a culture of responsible banking among its employees	We continued to provide trainings to our Bank and related subcontractors in order to increase OHS and sustainability awareness within the Working Group established to monitor and evaluate the internal environmental impacts and occupational health and safety performances of our Bank. Within this framework, we designed the Sustainability Development Program with the contributions of our subsidiary Escarus and relevant departments order to increase the level of knowledge and awareness of our employees on sustainability, one of our most important fields of activity. We carried out various training and development activities to improve not only the technical and professional knowledge but also the personal skills of our employees. In 2022, we provided approximately 51.3 hours of training per person on average. ✓	Integrated Annual Report 2022 Governance Structure Sustainability Human Capital
5.3 Governance Structure for Implementation of the Principles	The implementation and reporting of the UNEP-FI Principles for Responsible Banking is coordinated by the Reporting Working Group with the support of other relevant working groups. The monitoring of the targets set for the impact areas analyzed within the scope of the Principles is also under the responsibility of these working groups and coordination is ensured internally and externally. Compliance with the UNEP-FI Principles for Responsible Banking is supported by the Bank's decisions, policies, targets, collaborations and memberships. As one of the leading institutions supporting the Task Force on Climate-Related Financial Disclosures (TCFD), In 2022, we also joined the Net-Zero Banking Alliance (NZBA) initiative. ✓ In the event that the set targets are not achieved or unexpected negative impacts are identified, the Reporting Working Group, in synergy with the relevant working groups, will make a comprehensive assessment and inform the members of the Sustainability Committee and the Sustainability Management Committee in the light of the findings obtained, and will carry out studies to determine the issues to be managed implement the remedial action plans to be taken.	Integrated Annual Report 2022 Natural Capital

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Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals

6.1 Progress in the Application of Responsible Banking Principles

In 2022, when there were many important developments in reporting, our Bank continued to provide capacity development with the close follow-up and active feedback participation of the Sustainability Reporting Working Group. In the rapidly changing and developing reporting environment, we aim to closely follow the innovations in the upcoming period, reflect them in our reporting activities, and continue to inspire in the field of transparency, which is the impact force of our sector.

- Our Bank took its place among the "Early Adopter" institutions by switching 1 year in advance to the Communication on Progress (CoP) reporting revised by the UN Global Compact. ✓

- Last year, we increased our rating to "A-", the "leadership" level, in the CDP (Carbon Disclosure Project) Climate Change Program reporting, where the biodiversity, water, and forests topics had also been included. ✓

As a result of the improvements we made during the year and the strong ESG performance, our Sustainalytics ESG Risk Rating was determined as 7.9, and our risk category was determined as "negligible risk" As of the date of publication, our Bank, which was ranked first among Turkish Banks, was ranked 12th among international development banks, 15th in the global banking industry, and 60th among about 15 thousand institutions evaluated by Sustainalytics. ✓

The Climate Risks Working Group built a capacity and carried out several studies, both within the framework of physical and transition risks and in line with TCFD recommendations, to measure project and portfolio risks, conduct scenario analyses, and integrate them into decision-making mechanisms by reporting transparently

- The Climate Risks Working Group built a capacity and carried out several studies, both within the framework of physical and transition risks and in line with TCFD recommendations, to measure project and portfolio risks, conduct scenario analyses, and integrate them into decision-making mechanisms by reporting transparently

- With our climate friendly banking, as a signatory of the Net-Zero Banking Alliance established by the United Nations Environment Program Finance Initiative, we have added a new one to our commitments in the global arena. In line with the 1,5°C target of the Paris Climate Agreement, we will align our loan and investment portfolio with net-zero emission targets by 2050. We will continue to guide our sector by following the principles of transparency and accountability, and science-based guidelines in our sustainable banking journey and setting our targets before 2030 in accordance with the Net-Zero Banking framework.

- In 2020, we published the third UNEP-FI Principles for Responsible Banking Report, ✓ which we first published in 2021, and we published the progress we have made towards the implementation of the goals we set as a result of the impact analysis study we conducted in 2021.

Integrated Annual Report 2022

Natural Capital

CDP Report 2022

Climate Risk Report

GRI Index

CONTENT INDEX
ESSENTIALS SERVICE

2023

Content Index - Basic Service, the GRI Services team reviewed that the GRI Content Index was presented in a clear and consistent manner in line with the standards and references to disclosures 2-1 to 2-5, 3-1 and 3-2 were consistent with the relevant sections of the report. The service was performed on the Turkish version of the Report.

GRI Content Index

Statement of Use TSKB reported the period between January 1 - December 31, 2022, in line with the GRI Content Index - Basic Standards.

GRI 1 GRI 1: Foundation 2021

GRI STANDARD	EXPLANATIONS	DEPARTMENT
GENEL AÇIKLAMALAR	Organization and Reporting Applications	
	2-1 Organizational details	Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) Head Office Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul About the Report, page 10-11 Corporate Profile, page 12-13
	2-2 Entities included in the organization's sustainability reporting	Corporate Profile, page 12-13 Financial Capital, page 54-75 Intellectual and Produced Capital, page 100-113 Consolidated Statements and Independent Audit Report, page 279-371
	2-3 Reporting period, frequency and contact point	Annual Contact: ir@tskb.com.tr surdurulebilirlik@tskb.com.tr https://www.tskb.com.tr/hakimizda/iletisim/iletisim-formu
	2-4 Restatements of information	None.
	2-5 External assurance	About the Report, page 10-11 Compliance Opinions, page 144-163
	Activities and Employees	
	2-6 Activities, value chain and other business relations	Corporate Profile, page 12-13 Value Created, page 14-15
	2-7 Employees	Human Capital, page 76-85
	2-8 Workers who are not employees	Human Capital, page 76-85
	Governance	
	2-9 Governance structure and composition	Governance Structure, page 34-42 Board of Directors, page 122-125 Senior Management, page 126-128
	2-10 Nomination and selection of the highest governance body	Regarding the minimum qualifications to be sought for the election of the members of the Board of Directors, the Bank acts within the framework of the Banking legislation, and the regulations stipulated by the Turkish Commercial Code and the CMB. Governance Structure, page 34-42 Board of Directors, page 122-125 Senior Management, page 126-128 Corporate Governance Compliance Report, page 130-133 Bank's Articles of Association: https://www.tskb.com.tr/i/content/161_1_TSKB_Esas_Sozlesme_2019.pdf
	2-11 Chair of the highest governance body	The Chairman of the Board of Directors has no executive duties.
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance Structure, page 34-42 Board of Directors, page 122-125 Senior Management, page 126-128
	2-13 Delegation of responsibility for managing impacts	Governance Structure, page 34-42 Board of Directors, page 122-125 Senior Management, page 126-128
	2-14 Role of the highest governance body in sustainability reporting	Governance Structure, page 34-42

GRI 102: General Explanations
2021

GRI Index

GRI STANDARD	EXPLANATIONS	DEPARTMENT
GRI 102: General Explanations 2021	2-15 Conflicts of interest	Corporate Governance Compliance Report, page 130-133 https://www.tskb.com.tr/uploads/file/093fbe3122048a816bc3d9dad5dfd76-1631012659837.pdf
	2-16 Communication of critical issues	Stakeholder Participation and Materiality Analysis, page 27-33 Governance Structure, page 34-42 External Factors, page 43-53
	2-17 Collective knowledge of the highest governance body	Governance Structure, page 34-42 Board of Directors, page 122-125 Senior Management, page 126-128
	2-18 Evaluation of the performance of the highest governance body	Governance Structure, page 34-42
	2-19 Remuneration policies	Human Capital, page 76-85 Corporate Governance Compliance Report, page 130-133 Remuneration Policy: https://www.tskb.com.tr/uploads/file/83c848037befb1a2d64ffef29e9f9e3-1631013502069.pdf
	2-20 Process to determine remuneration	Human Capital, page 76-85 Corporate Governance Compliance Report, page 130-133 Remuneration Policy: https://www.tskb.com.tr/uploads/file/83c848037befb1a2d64ffef29e9f9e3-1631013502069.pdf Unconsolidated Statements and Independent Audit Report, page 147
	2-21 Annual total compensation ratio	Corporate Governance Compliance Report, page 130-133 Unconsolidated Statements and Independent Audit Report, page 147 Consolidated Statements and Independent Audit Report, page 279-371
	Strategy, Policies and Practices	
	2-22 Statement on sustainable development strategy	Message from the Chairperson, page 18-19 Message from the CEO, page 20-23 Strategic Plan, page 26 https://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/surdurulebilirlik-politikamiz
	2-23 Policy commitments	https://www.tskb.com.tr/yatirimci-iliskileri/kurumsal-yonetim
	2-24 Integrating policy commitments	Strategy, Performance and Expectations, page 26-119 Corporate Governance and Risk Management, page 122-141
	2-25 Processes to remediate negative impacts	Strategy, Performance and Expectations, page 26-119 Corporate Governance and Risk Management, page 122-141 UNEP-FI Principles for Responsible Banking Reporting Index, page 166-172
	2-26 Mechanisms for seeking advice and raising concerns	Strategy, Performance and Expectations, page 26-119 Corporate Governance and Risk Management, page 122-141
	2-27 Compliance with laws and regulations	TSKB considers complying with all laws and regulations while carrying out its activities, preventing corruption in commercial relations with stakeholders, and maintaining its activities in the light of ethical rules as a corporate governance approach. During the reporting period, no illegal development occurred. Audit Committee Report, page 140-141 Sustainability, page 34-41 Intellectual and Produced Capital, page 100-113 Social Capital, page 114-119
	2-28 Corporate Memberships	
	Stakeholder Engagement	
	2-29 Stakeholder engagement approach	Stakeholder Participation and Materiality Analysis, page 27-33 Accepts the principles of international conventions to which our country is a party and accepted, such as the Universal Declaration of Human Rights, the International Labor Organization (ILO) Basic Principles and Rights at Work, the UN Sustainable Development Goals and the United Nations Convention against Corruption, and all activities are based on human rights, in accordance with basic principles such as labor rights and social justice. As of the end of 2022, there is no Collective Bargaining Agreement at TSKB.
	2-30 Collective bargaining agreements	

GRI STANDARD MATERIAL TOPICS	EXPLANATIONS	DEPARTMENT
GRI 3: Materiality Topics 2021	3-1 Process to determine material topics	Stakeholder Participation and Materiality Analysis, page 27-33
	3-2 Material topics list	Stakeholder Participation and Materiality Analysis, page 27-33
GRI 200: ECONOMIC STANDARD SERIES		
	Sustainable Financial Performance	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Value Created, page 14-15 Key Financial and Non-Financial Indicators, page 16-17 Message from the Chairperson, page 18-19 Message from the CEO, page 20-23 Stakeholder Participation and Materiality Analysis, page 27-33 Financial Capital, page 54-75 Human Capital, page 76-85 Social Capital, page 114-119
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Value Created, page 14-15 Key Financial and Non-Financial Indicators, page 16-17 Financial Capital, page 54-75
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Natural Capital, page 86-99 TCFD Statement Table, page 183
	201-3 Defined benefit plan obligations and other retirement plans	Unconsolidated Statements and Independent Audit Report, page 191-277 Consolidated Statements and Independent Audit Report, page 279-371 Explanation on employee rights obligations (page 24)
	201-4 Financial aid from the government	No financial aids have been received from the government during the reporting period.
GRI 202: Market Presence 2016	202-1 Ratios of standard entry-level wage to local minimum wage by gender	At TSKB, the standard starting level wages of all employees are above the local minimum wage. Human Capital, page 76-85
	202-2 Proportion of senior management hired from local community	All members of TSKB Senior Management are Turkish citizens. Board of Directors, page 122-125 Senior Management, page 126-128 Directors, page 129
	203-1 Infrastructure investments and services supported	Financial Capital, page 54-75 Natural Capital, page 86-99
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	Value Created, page 14-15 Financial Capital, page 54-75
Ethics, Compliance and Anti-Corruption		
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Corporate Governance Compliance Report, page 130-133 http://www.tskb.com.tr/i/assets/document/pdf/rusvet-ve-yolsuzlukla-mucadele-politikasi.pdf
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Combating Bribery and Corruption Policy of TSKB: https://www.tskb.com.tr/uploads/file/a78862e98f57e2b2a57bf71b7e525a76-1635871211074.pdf 2022 Results: https://www.tskb.com.tr/uploads/file/2022-sonuclari.pdf

GRI Index

GRI STANDARD	EXPLANATIONS	DEPARTMENT
	Competitive Behavior	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Corporate Governance Compliance Report, page 130-133
GRI 206: Anti-Competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Corporate Governance Compliance Report, page 130-133 Other Major Updates on Corporate Operations, page 136
	Management of Climate Risks and Opportunities	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Natural Capital, page 86-99
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Natural Capital, page 86-99
	302-3 Energy density	Natural Capital, page 86-99
	302-4 Reducing energy consumption	Natural Capital, page 86-99
GRI 303: Water and Wastewater 2018	303-5 Water consumption	Natural Capital, page 86-99
GRI 305: Emissions 2016	305-1 Direct greenhouse gas (GHG) emissions (Scope 1)	Natural Capital, page 86-99
	305-2 Indirect greenhouse gas (GHG) emissions (Scope 2)	Natural Capital, page 86-99
	305-3 Other indirect greenhouse gas (GHG) emissions (Scope 3)	Natural Capital, page 86-99
	305-5 Reduction of greenhouse gas (GHG) emissions	Natural Capital, page 86-99
GRI 306: Waste 2020	306-2 Management of waste-related impacts	Natural Capital, page 86-99
	Responsible Sourcing and Supply Chain	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Natural Capital, page 86-99 Close relations with suppliers are maintained in order to manage the environmental and social impacts caused by the supply chain. Suppliers are supported to improve their environmental and social sustainability performance. This is carried out in accordance with the Sustainable Supply Management Policy. http://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/tskb-surdurulebilir-tedarik-yonetimi-politikasi
GRI 308: Supplier Assessment in Line with Environmental Criteria 2016	308-1 New suppliers monitored according to environmental criteria	Natural Capital, page 86-99 Although suppliers are expected to observe their environmental impacts, environmental audits are not applied for our suppliers that do not have a high environmental impact. http://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/tskb-surdurulebilir-tedarik-yonetimi-politikasi

GRI STANDARD	EXPLANATIONS	DEPARTMENT
	Competent Human Capital	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Human Capital, page 76-85
	401-1 New hires and employee turnover	Human Capital, page 76-85
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Capital, page 76-85
	401-3 Maternity Leave	All employees at TSKB are full-time employees. Human Capital, page 76-85
	Employee Engagement, Employee and Human Rights	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Human Capital, page 76-85
		https://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/tskb-is-sagligi-ve-guvenligi-politikasi Human Capital, page 76-85
GRI 403: Occupational Health and Safety 2018	4003-1 Occupational health and safety management system	TSKB ensures full compliance with its ISO 45001 Occupational Health and Safety Management System standards.
	403-2 Hazard identification, risk assessment, and incident investigation	https://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/tskb-is-sagligi-ve-guvenligi-politikasi There were no injuries, accidents, occupational diseases and work-related deaths during the reporting period.
	403-3 Occupational health services	Due to the nature of TSKB's activities, there is no risk of work accident or occupational disease.
GRI 404: Training and Education 2016	404-1 Average annual training hours per employee	Human Capital, page 76-85
	404-2 Programs for upgrading employee skills and transition assistance programs	Human Capital, page 76-85
	Equal Opportunity and Diversity	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Human Capital, page 76-85
		https://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/tskb-insan-haklari-politikasi Human Capital, page 76-85
GRI 405: Equal Opportunity and Diversity 2016	405-1 Diversity of governance bodies and employees	Board of Directors, page 122-125 Senior Management, page 126-128
	405-2 Ratio of basic salary and remuneration of women to men	Human Capital, page 76-85
		At TSKB, there is no gender-based discrimination for employee wages. As of the end of 2022, the gender wage gap is 0.008.
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	There were no cases of discrimination during the reporting period.
GRI 303: WATER AND GRI 407: Collective Bargaining and Union Right 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	TSKB respects the rights of association and collective bargaining. During the reporting period, to the knowledge of TSKB, there was no violation of union rights by any supplier.
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	TSKB never employs child labor. TSKB expects its suppliers to comply with the age provisions specified in the relevant laws and regulations.
GRI 409: Forced/Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	At TSKB, there are no activities determined to pose a significant risk in terms of forced or involuntary labor. TSKB expects its suppliers not to employ forced labor under any circumstances. http://www.tskb.com.tr/hizmetler/surdurulebilir-bankacilik/politikamiz/tskb-surdurulebilir-tedarik-yonetimi-politikasi

GRI Index

GRI STANDARD	EXPLANATIONS	DEPARTMENT
	Cyber Security and Data Privacy	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Intellectual and Produced Capital, page 100-113 https://www.tskb.com.tr/yatirimci-iliskileri/kurumsal-yonetim
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	There are no complaints about breach of customer privacy and loss of customer data.
	Digital Transformation and Agility	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Intellectual and Produced Capital, page 100-113
	Environmental and Social Impact Monitoring and Reporting	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Financial Capital, page 54-75 Natural Capital, page 86-99
	Effective Risk Management	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Risk Management Policies, page 137-138
	Innovation	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Intellectual and Produced Capital, page 100-113
	Customer Experience	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Intellectual and Produced Capital, page 100-113 https://www.tskb.com.tr/yatirimci-iliskileri/kurumsal-yonetim
	Stakeholder Capitalism and International Cooperation	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Sustainability, page 34-41 WEF Stakeholder Capitalism Index, page 181-182
	Supporting the UN SDGs	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33
	Corporate Social Responsibility	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Stakeholder Participation and Materiality Analysis, page 27-33 Social Capital, page 114-119

UNGC Index

Principle 1	Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-human-rights-policy
Principle 2	Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-human-rights-policy https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-occupational-health-and-safety-policy
Principle 3	Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-human-rights-policy
Principle 4	Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/list-of-activities-not-funded-by-tskb https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-human-rights-policy
Principle 5	Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/list-of-activities-not-funded-by-tskb https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-human-rights-policy
Principle 6	Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-equal-opportunities-and-inclusion-policy
Principle 7	Strategic Plan Natural Capital/ERET Model Natural Capital/TSKB and Climate Change https://www.tskb.com.tr/i/assets/document/pdf/TCFD-eng-2021-05-24.pdf https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy
Principle 8	Governance Structure/Sustainability /Declarations to which TSKB is a Signatory Intellectual and Manufactured Capital/Memberships and Working Groups Social Capital/Sustainability Projects https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-environmental-and-social-impact-management-policy
Principle 9	Financial Capital/Renewable Energy Industry and TSKB Human Capital/TSKB Technology and Entrepreneurship Platform Natural Capital/ERET Model Social Capital/Social Impact with Innovative Solutions https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
Principle 10	Corporate Governance and Risk Management/Audit Committee Report https://www.tskb.com.tr/en/investor-relations/corporate-governance https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-anti-bribery-and-anti-corruption-policy

WEPs Index

Principle 1	Governance Structure/Sustainability/Gender Equality Working Group https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-equal-opportunities-and-inclusion-policy https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-gender-equality-policy Social Capital/2022 Key Performance Indicators Social Capital/Empowerment-through Education Scholarship Fund Social Capital/EşitAdımlar (EqualSteps) Social Capital/Women Stars of Tomorrow
Principle 2	Human Capital/2022 Key Performance Indicators Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-equal-opportunities-and-inclusion-policy https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-gender-equality-policy
Principle 3	Human Capital Human Capital/Human Resources Principles https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-occupational-health-and-safety-policy https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-gender-equality-policy
Principle 4	Human Capital/2022 Key Performance Indicators Human Capital/Human Resources Principles Social Capital https://www.tskb.com.tr/en/about-us/human-resources https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-human-rights-policy https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-equal-opportunities-and-inclusion-policy https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-gender-equality-policy
Principle 5	Financial Capital/Focus on Inclusiveness Social Capital/Social Value https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-sustainable-procurements-management-policy
Principle 6	Governance Structure/Sustainability/Declarations to which TSKB is a Signatory Intellectual and Manufactured Capital/Initiatives Led and Working Groups Participated by TSKB Social Capital/Sustainability Projects https://www.tskb.com.tr/en/services/sustainable-banking/initiatives-we-are-a-member-of/our-signatories https://www.tskb.com.tr/en/services/sustainable-banking/initiatives-we-are-a-member-of https://www.tskb.com.tr/en/services/sustainable-banking/our-sustainability-journey https://www.tskb.com.tr/en/services/sustainable-banking/the-impact-we-create/social-responsibility https://www.tskb.com.tr/en/services/sustainable-banking/our-policy/tskb-responsible-corporate-communications-policy
Principle 7	Human Capital/2022 Key Performance Indicators https://www.kap.org.tr/en/sirket-bilgileri/ozet/2427-turkiye-sinai-kalkinma-bankasi-a-s Annexes/GRI Index Annexes/UNGC Index Annexes/WEPs Index Annexes/WEF Stakeholder Capitalism Index Annexes/SASB Index https://www.tskb.com.tr/en/about-us/human-resources/performance-management https://www.tskb.com.tr/en/about-us/human-resources/careers https://www.tskb.com.tr/en/about-us/human-resources/learning-and-development/about https://www.tskb.com.tr/en/about-us/human-resources

WEF Stakeholder Capitalism Index

WEF Stakeholder Capitalism Core Disclosures

	Themes	Core Metrics and Disclosures	Category of Related Disclosures
Principles of Governance	Governing Purpose	Setting Purpose	Governance Structure
		Purposed-led Management	Governance Structure
	Quality of Governing Body	Governance Body Composition	Corporate Profile & Governance Structure
		Remuneration	Corporate Governance Compliance Report
		Progress against strategic milestones	Strategy, Performance and Expectations
	Stakeholder Engagement	Material Issues Impacting Stakeholders	Stakeholders and Materiality Analysis
	Ethical Behavior	Anti-corruption	Human Capital, Corporate Governance Compliance Report
		Protected Ethics Advice and Reporting Mechanisms	Human Capital, Corporate Governance Compliance Report
		Alignment of strategy and policies to lobbying	Corporate Profile, Governance Structure
		Monetary Losses from Unethical Behavior	Audit Committee Report
Planet	Risk and Opportunity Oversight	Integrating Risk and Opportunity into Business Process	Risk Management Policies
		Economic, Environmental and Social Topics in Capital Allocation Framework	Strategy, Performance and Expectations
	Air Pollution	Air Pollution	Natural Capital
		Impact of Air Pollution	Natural Capital
	Climate Change	Greenhouse Gas (GHG) Emissions	Natural Capital
		TCFD Implementation	TCFD Table of Disclosures
		Paris-aligned GHG emissions targets	Natural Capital
		Impact of Greenhouse Gas Emissions	Natural Capital
	Nature Loss	Land Use and Ecological Sensitivity	Natural Capital
		Impact of Land Use and Conversion	Natural Capital
	Freshwater Availability	Water Consumption and Withdrawal in Water-stressed Areas	Natural Capital
		Impact of Freshwater Consumption and Withdrawal	Natural Capital
	Resource Availability	Resource Circularity	Natural Capital
	Solid Waste	Single-Use Plastics	Natural Capital
		Impact of Solid Waste Disposal	Natural Capital
	Water Pollution	Nutrients	Natural Capital
		Impact of Water Pollution	Natural Capital

WEF Stakeholder Capitalism Index

	Themes	Core Metrics and Disclosures	Category of Related Disclosures
People	Dignity and Equality	Diversity and Inclusion	Human Capital
		Pay Equality	Human Capital
		Wage Level	Human Capital
		Risk for Incidents of Child, Forced or Compulsory Labor	TSKB operates under the laws of Türkiye. Therefore, there is no risk of child, forced or compulsory labor.
		Discrimination and Harassment	Human Capital
		Freedom of Association and Collective Bargaining at Risk	Human Capital
		Human rights review, grievance impact and modern slavery	Human Capital
		Pay Gap	Human Capital
	Health and Well-being	Living Wage	Human Capital
		Health and Safety	Human Capital
		Well-being	Human Capital
		Monetized Impacts of Work-related Incidents on Organization	Human Capital
Prosperity	Skills for the Future	Training Provided	Human Capital
		Number of Unfilled 'Skilled' Positions	Human Capital
		Monetized Impacts of Training	Human Capital
	Employment and Wealth Generation	Absolute Number and Rate of Employment	Human Capital
		Economic Contribution	Human Capital
		Significant Indirect Economic Impacts	Financial Capital, Human Capital, Financial Statements and Footnotes
		Infrastructure Investments and Services Supported	Financial Capital, Human Capital, Financial Statements and Footnotes
	Innovation of Better Products and Services	Total R&D Expenses	Intellectual and Manufactured Capital, Social Capital, Financial Statements and Footnotes
		Vitality Index	Intellectual and Manufactured Capital, Social Capital
		Social Value Generated	Intellectual and Manufactured Capital, Social Capital
	Community and Social Vitality	Total Tax Paid	Financial Statements and Footnotes
		Additional Tax Remitted	Financial Statements and Footnotes
		Total Social Investment	Social Capital, Financial Statements and Footnotes
		Total and additional tax breakdown by country for significant locations	TSKB has no operations abroad.

TCFD Table of Disclosures

TCFD Recommendations	Integrated Annual Report		Climate Risk Report
Governance	a	Governance Structure Sustainability Sustainability Committee	2.1. Board Oversight
	b	Governance Structure Sustainability Sustainability Committee & Sustainability Management Committee & Working Groups	2.2. Sustainability Management
Strategy	a	Natural Capital TSKB and Climate Change & Risks and Opportunities	3.2. Climate-Related Risks and Opportunities
	b	Stakeholders and Materiality Analysis Management of Climate Risks and Opportunities, Natural Capital TSKB and Climate Change	3.3. Scenario Analysis
Risk Management	a	Natural Capital TSKB and Climate Change	4.1. Climate-Related Risks
	b	Governance Structure Sustainability Climate Risk Working Group, Natural Capital Carbon Footprint Management & TSKB and Climate Change	4.2. Sectoral Analysis and Management of Risks
Metrics and Targets	a	Natural Capital 2022 Key Performance Indicators & Short-Medium-Long Term Targets and 2022 Realizations	
	b	Natural Capital Internal Impacts – Key Indicators	5.1. Metrics and Targets of Direct Impacts
	c	Natural Capital 2022 Key Performance Indicators & Short-Medium-Long Term Targets and 2022 Realizations & Short-Medium-Long Term Targets	5.2. Metrics and Targets of Indirect Impacts

SASB Index

Topics*	Code	Category of Related Disclosures
Data Security	FN-CB-230a.1	Annexes GRI Index 418-1
	FN-CB-230a.2	Intellectual and Manufactured Capital Information Security and Digitalization
Financial Inclusion & Capacity Building	FN-CB-240a.1	Financial Capital Versatile support to SMEs
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	FN-CB-410a.1	Financial Capital
	FN-CB-410a.2	Financial Capital, Natural Capital
Business Ethics	FN-CB-510a.1	Corporate Governance and Risk Management Other Major Updates on Corporate Operations, Audit Committee Report
	FN-CB-510a.2	Corporate Governance and Risk Management Corporate Governance Compliance Report
Systemic Risk Management	FN-CB-550a.2	Corporate Governance and Risk Management Audit Committee Report, Natural Capital Climate Risks

**Topics that are not directly related to our Development Banking Activities are not included in the table.*

General Assembly Agenda

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

ORDINARY GENERAL ASSEMBLY MEETING AGENDA DATED 28.03.2023

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 2022,
3. Review, discussion and approval of the balance sheet and profit and loss statement of the Bank for the year of 2022,
4. Approval of the appointment of the members of the Board of Directors substituting the members leaving their post until the General Assembly,
5. Approval of the appointment of the Independent Member of the Board of Directors,
6. Release of the Members of the Board of Directors,
7. Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend allotment date,
8. Determination of allowance for the Members of the Board of Directors,
9. Election of Independent Audit Firm,
10. Presentation of the information regarding the donations made and determination of the upper limit for donations to be made within the year 2023,
11. Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,
12. Presenting information regarding the transactions within the scope of Article 1.3.6. of the Communiqué on Determination and Implementation of Corporate Governance Principles of the Capital Markets Board.

Declaration of Independence

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

On the ground that I am a candidate for the independent membership of the Bank on the General Assembly Meeting on March 25, 2021,

- a) There is no employment relationship in executive positions to assume material roles and responsibilities for the past five years between the Company, Subsidiaries where the Company holds control or significant power over management, or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established;
- b) In the last five years; I haven't been a shareholder (5% and above), an executive, or a member of the board of directors to assume important duties and responsibilities in the companies which the Bank buys or sells services or products to a great extent within the framework of the agreements made, particularly the Bank's audit (including tax audit, statutory audit, internal audit), its rating and consultancy, in the periods when the service or product is purchased or sold;
- c) That I have ample vocational education, knowledge and experience to properly perform duties I'll undertake as can be reasonably expected from an independent Board of Directors Member;
- d) That I am not employed by public sector organizations as a fulltime employee as of the date I was nominated to Independent Board of Directors Member and that –in the event I am elected, I will not work as a fulltime employee in public sector organizations throughout the term of my office as Independent Board of Directors Member;
- e) I am considered a resident in Türkiye according to Income Tax Law, dated 31/12/1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience to make a positive contribution to the operations of the Bank, to keep my impartiality in conflicts of interest to arise between the Bank and shareholders, and to make decisions freely by taking into account the rights of stakeholders;
- g) I will devote time for the works of the Bank to the extent that I can follow the functioning of the Bank's operations and fully satisfy the requirements of the duties I assumed;
- h) I have not acted as an Independent Board Member for more than six years within the last ten years in the Board of Directors of the Bank;
- i) I am not an independent member in the Bank or in more than three companies where the shareholders with management control over the Bank hold management control and in more than a total of five publicly traded companies;
- j) I am not registered and announced on behalf of the legal person elected as a member of the Board of Directors; and therefore, I will serve as an Independent Member.

Respectfully,



MİTHAT RENDE
Board Member

Statement of Responsibility

MARCH 3, 2023

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
STATEMENT OF RESPONSIBILITY FOR THE INTEGRATED ANNUAL REPORT 2022

Prepared in accordance with the Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board; TSKB Annual Integrated Report for the period 01.01.2022 - 31.12.2022 comprising financial and non-financial information, key performance indicators and targets; Corporate Governance Compliance Report, Corporate Governance Information Forms and disclosures made pursuant to Sustainability Principles Compliance Framework have been reviewed by us.

In this context, we confirm and state that;

- Within the framework of our duties and responsibilities in the Bank and the information we have, the Report does not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,
- As of the reporting period, financial statements and other financial information in the Report honestly reflect the progress and the performance of the business and the financial position of the Bank together with the significant risks and the uncertainties faced,
- Non-financial information, targets and key performance indicators do not include any untrue statement,
- Corporate Governance Compliance Report, Corporate Governance Information Form and Sustainability Principles Compliance Framework do not include any deficiency or any untrue statement.

Sincerely,

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

Audit Committee Chairperson
GAMZE YALÇIN

Audit Committee Member
BAHATTİN ÖZARSLANTÜRK

Executive Vice President
Responsible for Financial
Reporting
ENGİN TOPALOĞLU

Executive Vice President
Responsible for Investor
Relations
MERAL MURATHAN

Head of Financial Institutions
and Investor Relations
(Proxy)
CAN ÜLKÜ



FINANCIAL STATEMENTS AND NOTES

191	Unconsolidated Statements and Independent Audit Report
279	Consolidated Statements and Independent Audit Report

Türkiye Sınai Kalkınma Bankası A.Ş.

**INDEPENDENT AUDITOR'S AUDIT REPORT,
UNCONSOLIDATED FINANCIAL STATEMENTS
AND NOTES FOR THE YEAR ENDED
DECEMBER 31, 2022**

(CONVENIENCE TRANSLATION OF THE AUDITOR'S AUDIT REPORT
ORIGINALLY ISSUED IN TURKISH)



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Convenience Translation of the Auditor's Audit Report Originally Issued in Turkish

Independent Auditors' Report on Audit of Unconsolidated Financial Statements

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.;

Qualified Opinion

We have audited the unconsolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") at December 31, 2022 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements.

In our opinion, except for the effects of the matter on the unconsolidated financial statements described in the Basis of for Qualified Opinion paragraph, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Türkiye Sınai Kalkınma Bankası A.Ş. as at December 31, 2022 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 November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

Basis of Qualified Opinion

As explained in Note 7 of the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at December 31, 2022 include a free provision amounting to Thousands TL 900.000 that Thousands TL 440.000 which were provided within prior years, of which Thousands TL 460.000 was provided at 2022 respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Since the above mentioned provisions do not meet the accounting requirements of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the "Other Provisions" for the period ended 31 December 2022 are overstated by Thousands TL 900.000, "retained earnings" and "net income" of December 31, 2022 are understated by Thousands TL 440.000 and Thousands TL 460.000, respectively.

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 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
Related important disclosures about recognition and impact of impairment on financial assets in accordance with TFRS 9	
As presented in Section 3 disclosure VIII the Bank calculates expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the TFRS 9 impairment of financial assets as a key audit matter since:	In addition to our current audit procedures, our audit procedures are:
- Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - There are complex and comprehensive requirements of TFRS 9 - 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. - Policies implemented by the Bank management include compliance risk to the regulations and other practices. - Processes of TFRS 9 are advanced and complex. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex.	- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices. - 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. - Evaluation of the reasonableness and appropriateness of the key judgments and estimates determined by the management and the methods, judgments and data sources used in the expected loss calculation, taking into account the standard requirements, industry and global practices - 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. - 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. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation. - Testing the mathematical accuracy of expected credit loss calculation on sample basis. - Evaluating the judgments and estimates used for the individually assessed financial assets. - Evaluating the accuracy and the necessity of post-model adjustments. - Auditing of TFRS 9 disclosures.



Key Audit Matter	How the matter is addressed in our audit
<i>Pension Fund Obligations</i>	
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 President has been authorized to determine the transfer date. The Bank’s present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of December 31, 2022 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated January 24, 2023, there is no need for technical or actual deficit to book provision as of December 31, 2022. 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. 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.	It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits. 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 as well as footnotes to significant assumptions.



Key Audit Matter	How the matter is addressed in our audit
<i>Derivative Financial Instruments</i>	
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. 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.	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. 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”).

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

The 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 unconsolidated 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.



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 6102; 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 January 1 – December 31, 2022 are not in compliance with the TCC and provisions of 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 Fatma Ebru Yücel.

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



Fatma Ebru Yücel, SMMM
Partner

February 1, 2023
İstanbul, Türkiye



**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2022**

Address: Meclisi Mebusan Cad. No:81 Fındıklı /İstanbul
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The unconsolidated financial report for the year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

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

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

01 February 2023

			
Adnan BALI	Murat BİLGİC	Aziz Ferit ERASLAN	Tolga SEĞİT
Chairman of Board of Directors	Member of Board of Directors and General Manager	Executive Vice President In Charge of Financial Reporting	Director In Charge of Financial Reporting
			
Gamze YALÇIN	Bahattin ÖZARSLANTÜRK		
Chairman of Audit Committee	Member of Audit Committee		

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.
Industrial Development Bank of Turkey
Meclisi Mebusan Cad. 81 Fındıklı 34427 İstanbul TURKEY Phone: (+90 212) 334 50 50 Fax: (+90 212) 334 52 34
www.tskb.com

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	1.413.339	50,48	1.413.339	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.152.091	41,14	1.152.091	-
Total	2.800.000	100,00	2.800.000	-
Prior Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	1.438.280	51,37	1.438.280	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.127.150	40,25	1.127.150	-
Total	2.800.000	100,00	2.800.000	-

The Bank shares are traded in Istanbul Stock Exchange ("BIST") since December 26, 1986. The Bank's 50,48 % of the shares belongs to İş Bank Group and 38,79 % of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
Adnan Bali	Chairman of the Board of Directors
Ece Böri (2)	Vice Chairman of the Board of Directors
Murat Bilgiç (2)	Member of the Board of Directors and General Manager
Gamze Yalçın (3)	Independent Member of the Board of Directors and Chairman of Audit Committee
Bahattin Özarslantürk	Independent Member of the Board of Directors and Member of Audit Committee
Mithat Rende	Independent Member of the Board of Directors
Murat Doğan	Member of the Board of Directors
Celal Caner Yıldız (4)	Member of the Board of Directors
Abdi Serdar Üstünsalih	Member of the Board of Directors
Hüseyin Yalçın	Member of the Board of Directors
Cengiz Yavlıoğlu	Member of the Board of Directors

General Manager and Vice Presidents (6)

Name Surname	Title / Area of Responsibility
Murat Bilgiç (2)	General Manager
Hakan Aygen	Executive Vice President - Engineering, Credit Analysis, Credit Allocation, Specialized Loans
A. Ferit Eraslan	Executive Vice President - Financial Control, Budget Planning, Corporate Compliance, Credit Operations, Treasury and Capital Market Operations
Hasan Hepkaya	Executive Vice President - Consulting Services Sales, Corporate Banking Sales, Project Finance, Economic Research, Financial and Technical Consulting, Corporate Banking Marketing
Meral Murathan	Executive Vice President - Treasury, Financial Institutions and Investor Relations, Development Finance Institutions, Credit Monitoring, Corporate Communications
Engin Topaloğlu	Executive Vice President - Board of Inspectors, Risk Management, Internal Control
Özlem Bağdatlı (5)	Executive Vice President - Human Resources, Legal Affairs, Retirement and Supplementary Foundations
Mustafa Biliç Tanağardı (5)	Executive Vice President - Application Development, System Support and Operation, Enterprise Architecture and Process Management
Poyraz Koğacıoğlu (5)	Executive Vice President - Corporate Finance

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

(2) Member of the Board of Directors and General Manager of the Bank, Mrs. Ece Böri resigned from the General Manager position as of April 6, 2022. With the Board of Directors Decision dated as of March 25, 2022, Mr. Murat Bilgiç was appointed as the General Manager and started his duty as of 7 April 2022.

(3) Deputy Chairman of the Board of Directors, Independent Member of the Board of Directors and Chairman of the Audit Committee, Mr. Mahmut Magozoğlu resigned from his duty. At the Bank's Board of Directors meeting dated April 7, 2022, Mrs. Ece Böri has been appointed as the Vice Chairman of the Board of Directors - within the framework of Article 363 which has been a vacant post. In addition Gamze Yalçın has been appointed as the Chairman of the Audit Committee within the framework of article 363 of the Turkish Commercial Code.

(4) Member of the Board of Directors, Mr. Özan Uyar resigned from his post. At the Bank's Board of Directors meeting dated April 7, 2022, it was decided to elect Mr. Celal Caner Yıldız to the vacant Member of Board of Directors within the framework of Article 363 of the Turkish Commercial Code.

(5) At our Bank's Board of Directors meeting dated April 28, 2022; Mr. M. Biliç Tanağardı, Mrs. Özlem Bağdatlı and Mr. Poyraz Koğacıoğlu have been decided to appoint as Executive Vice President.

(6) Our Bank's Deputy General Manager Mrs. Aşlı Zerrin Hancı left her job on April 30, 2022 due to retirement.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2022 in the General Assembly Meeting held on March 29, 2022.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

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

İş Finansal Kiralama A.Ş. :

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

İş Faktoring A.Ş. :

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

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

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

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2022

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

ASSETS	Section 5 Note I	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		10.461.460	12.874.948	23.336.408	5.919.318	10.948.528	16.867.846
1.1 Cash and Cash Equivalents		5.757.326	4.129.714	9.887.040	1.526.154	3.712.872	5.239.026
1.1.1 Cash and Balances with Central Bank	(1)	18.958	2.778.981	2.797.939	14.708	2.023.420	2.038.128
1.1.2 Banks	(3)	20.454	1.351.308	1.371.762	90.472	1.691.200	1.781.672
1.1.3 Money Market Placements		5.718.471	-	5.718.471	1.421.026	-	1.421.026
1.1.4 Expected Credit Losses (-)		557	575	1.132	52	1.748	1.800
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	-	-	-	263.097	263.097	-
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	263.097	263.097	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	3.743.504	7.310.268	11.053.772	2.627.715	6.293.117	8.920.832
1.3.1 Government Debt Securities		2.846.542	6.903.245	9.749.787	2.254.125	6.096.386	8.350.511
1.3.2 Equity Instruments		71.360	407.023	478.383	53.776	196.731	250.507
1.3.3 Other Financial Assets		825.602	-	825.602	319.814	-	319.814
1.4 Derivative Financial Assets	(2)	960.630	1.434.966	2.395.596	1.765.449	679.442	2.444.891
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		960.630	1.434.966	2.395.596	1.765.449	679.442	2.444.891
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		12.946.934	74.654.449	87.601.383	8.417.021	56.330.165	64.747.186
2.1 Loans	(5)	9.008.274	70.885.506	79.893.780	5.668.235	57.889.759	63.557.994
2.2 Lease Receivables	(10)	34.615	345.616	380.231	10.238	336.329	346.567
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(6)	6.195.613	6.630.368	12.825.981	3.321.632	634.071	3.955.703
2.4.1 Government Debt Securities		6.195.613	6.630.368	12.825.981	3.321.632	634.071	3.955.703
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Losses (-)		2.291.568	3.207.041	5.498.609	583.084	2.529.994	3.113.078
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	-	-	-	64.403	-	64.403
3.1 Held for Sale Purpose		-	-	-	64.403	-	64.403
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		3.483.384	-	3.483.384	1.695.287	-	1.695.287
4.1 Investments in Associates (Net)	(7)	1.493.750	-	1.493.750	777.551	-	777.551
4.1.1 Accounted Under Equity Method		1.493.750	-	1.493.750	777.551	-	777.551
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(8)	1.989.634	-	1.989.634	917.736	-	917.736
4.2.1 Unconsolidated Financial Subsidiaries		1.937.664	-	1.937.664	881.621	-	881.621
4.2.2 Unconsolidated Non-Financial Subsidiaries		51.970	-	51.970	36.115	-	36.115
4.3 Entities under Common Control (Joint Venture) (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(12)	196.705	-	196.705	97.031	-	97.031
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		2.876	-	2.876	2.901	-	2.901
VII. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		710.421	-	710.421	394.121	-	394.121
IX. DEFERRED TAX ASSET	(15)	145.950	98.645	244.595	117.051	110.659	227.710
X. OTHER ASSETS (Net)	(17)	-	-	-	-	-	-
TOTAL ASSETS		27.947.330	87.628.042	115.575.372	16.707.133	67.389.352	84.096.485

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

LIABILITIES AND EQUITY	Section 5 Note II	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
II. FUNDS BORROWED	(3)	-	70.814.085	70.814.085	89.213	54.154.809	54.244.022
III. MONEY MARKET BALANCES		186.307	1.256.559	1.442.866	76.555	698.140	774.695
IV. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	21.047.752	21.047.752	-	14.927.941	14.927.941
4.1 Bills		-	-	-	-	-	-
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		21.047.752	21.047.752	-	14,927.941	14,927.941	-
V. BORROWER FUNDS		27.907	709.826	737.733	11.191	680.513	691.704
5.1 Borrower Funds		27.907	709.826	737.733	11.191	680.513	691.704
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)	169.996	962.347	1.132.343	800.764	319.998	1,120.762
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		169.996	962.347	1,132.343	800.764	319.998	1,120.762
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(5)	2.245	-	2.245	18.156	-	18.156
X. PROVISIONS	(7)	993.190	49.640	1,042.830	473.040	58.780	531.820
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		31.051	-	31.051	28.506	-	28.506
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		962.139	49.640	1,011.779	444.534	58.780	503.314
XI. CURRENT TAX LIABILITY	(8)	551.910	-	551.910	210.793	-	210.793
XII. DEFERRED TAX LIABILITY	(8)	-	-	-	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(10)	-	3,829.127	3,829.127	-	4,029.204	4,029.204
14.1 Loans		-	3,829.127	3,829.127	-	4,029.204	4,029.204
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(4)	321.498	1,870.976	2,192.474	157.491	449.259	606.750
XVI. SHAREHOLDERS' EQUITY	(11)	13,948.337	(266.330)	12,782.007	7,157.420	(216.782)	6,940.638
16.1 Paid-in capital		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	(11)	849.348	95.052	944.400	189.066	16.502	205.568
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1,371.832	(361.382)	1,010.450	196.231	(233.284)	(37.053)
16.5 Profit Reserves		3,971.749	-	3,971.749	2,882.741	-	2,882.741
16.5.1 Legal Reserves	(11)	429.245	-	429.245	374.794	-	374.794
16.5.2 Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3 Extraordinary Reserves	(11)	3,463.943	-	3,463.943	2,429.386	-	2,429.386
16.5.4 Other Profit Reserves		2.920	-	2.920	-	-	2.920
16.6 Profit Or Loss		4,055.034	-	4,055.034	1,089.008	-	1,089.008
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		4,055.034	-	4,055.034	1,089.008	-	1,089.008
TOTAL LIABILITIES AND EQUITY		15,301.390	100,273.982	115,575.372	8,994.623	75,101.862	84,096.485

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

Türkiye Sınai Kalkınma Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET AS OF 31 DECEMBER 2022

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

	Section 5 Note III	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
		TL	FC	Total	TL	FC	Total
		OFF BALANCE SHEET					
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II-III)		15,389,185	106,612,848	122,002,033	9,021,719	98,426,269	107,447,979
I. GUARANTEES AND COLLATERALS	(1)	1,488,296	5,817,315	7,305,611	337,756	7,945,861	8,282,817
1.1 Letters of Guarantee		1,166,776	2,568,770	3,735,546	251,851	2,660,952	2,912,803
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		1,166,776	2,568,770	3,735,546	251,851	2,660,952	2,912,803
1.2 Bank Acceptances		-	39,643	39,643	-	170,742	170,742
1.2.1 Import Letter of Acceptance		-	39,643	39,643	-	170,742	170,742
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		321,520	3,208,902	3,530,422	85,905	5,113,367	5,199,272
1.3.1 Documentary Letters of Credit		321,520	3,208,902	3,530,422	85,905	5,113,367	5,199,272
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 Issued Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	1,847,452	9,504,856	11,352,308	1,252,013	9,400,185	10,652,198
2.1 Irrevocable Commitments		1,036,616	270,614	1,307,230	694,819	795,425	1,490,244
2.1.1 Forward Asset Purchase and Sale Commitments		53,598	110,188	163,786	84,156	294,071	378,227
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	138,750	138,750	-	157,380	157,380
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		-	-	-	-	-	-
2.2 Other Irrevocable Commitments		983,018	21,676	1,004,694	610,663	343,974	954,637
2.2.1 Revocable Commitments		810,836	9,234,242	10,045,078	557,194	8,604,760	9,161,954
2.2.2 Other Revocable Commitments		810,836	9,234,242	10,045,078	557,194	8,604,760	9,161,954
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	12,053,437	91,290,677	103,344,114	7,431,950	81,081,014	88,512,964
3.1 Derivative Financial Instruments for Hedging Purposes		-	26,497,037	26,497,037	-	27,012,103	27,012,103
3.1.1 Fair Value Hedges		-	26,497,037	26,497,037	-	27,012,103	27,012,103
3.1.2 Cash Flow Hedges		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		12,053,437	64,793,640	76,847,077	7,431,950	54,068,911	61,500,861
3.2.1 Forward Foreign Currency Buy-Sell Transactions		690,671	873,913	1,564,584	652,330	1,633,747	2,286,077
3.2.1.1 Forward Foreign Currency Transactions-Buy		690,671	163,686	854,357	573,527	490,868	1,064,395
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	710,227	710,227	78,803	1,142,879	1,221,682
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		11,362,766	63,919,727	75,282,493	6,773,600	52,429,920	59,203,600
3.2.2.1 Foreign Currency Swap-Buy		77,756	17,764,305	17,842,061	975,456	13,556,545	14,132,001
3.2.2.2 Foreign Currency Swap-Sell		11,128,122	5,963,930	17,092,052	5,930,002	7,035,505	12,971,507
3.2.2.3 Interest Rate Swap-Buy		78,444	20,095,746	20,174,190	131,111	15,918,935	16,050,046
3.2.2.4 Interest Rate Swap-Sell		78,444	20,095,746	20,174,190	131,111	15,918,935	16,050,046
3.2.3 Foreign Currency Options-Buy		-	-	-	5,940	5,244	11,184
3.2.3.1 Foreign Currency Options-Buy		-	-	-	5,940	5,244	11,184
3.2.3.2 Foreign Currency Options-Sell		-	-	-	2,970	2,622	5,592
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	2,970	2,622	5,592
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		153,748,488	1,202,596,098	1,356,344,586	76,385,147	766,845,685	843,230,832
IV. ITEMS HELD IN CUSTODY		122,779	2,498,840	2,621,619	202,108	1,222,834	1,424,142
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		72,203	2,498,840	2,571,043	72,731	1,222,034	1,294,765
4.3 Checks Received for Collection		-	-	-	248	-	248
4.4 Commercial Notes Received for Collection		-	-	-	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		50,576	-	50,576	129,129	-	129,129
V. PLEDGES ITEMS		146,273,178	958,585,809	1,104,858,987	68,479,469	599,875,663	668,355,272
5.1 Marketable Securities		456,247	-	456,247	-	-	456,247
5.2 Guarantee Notes		131,668	2,557,299	2,688,967	110,554	2,180,912	2,291,466
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		55,452,686	256,863,629	312,316,315	8,875,234	152,961,497	161,836,731
5.6 Other Pledged Items		90,232,577	699,164,881	789,397,458	59,037,574	444,733,254	503,770,828
5.7 Pledged Items-Depositary		-	-	-	-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		7,382,531	241,511,440	248,893,970	7,700,430	245,747,908	253,448,338
TOTAL OFF BALANCE SHEET ITEMS (A+B)		169,137,073	1,309,208,946	1,478,346,019	85,406,866	882,271,945	938,678,811

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

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2022

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

		Audited Current Period January 1, 2022 – December 31, 2022	Audited Prior Period January 1, 2021 – December 31, 2021	
STATEMENT OF PROFIT OR LOSS				
	Note			
I.	INTEREST INCOME	(1)	10,103,050	4,541,358
1.1	Interest on Loans		5,260,562	3,162,432
1.2	Interest Received from Reserve Deposits		309	998
1.3	Interest Received from Banks		7,700	8,372
1.4	Interest Received from Money Market Placements		662,263	244,166
1.5	Interest Received from Marketable Securities Portfolio		4,135,959	1,113,008
1.5.1	Fair Value through Profit or Loss		3	-
1.5.2	Fair Value through other Comprehensive Income		1,044,953	549,462
1.5.3	Measured at Amortized Cost		3,091,003	563,546
1.6	Finance Lease Interest Income		20,024	9,239
1.7	Other Interest Income		16,233	3,143
II.	INTEREST EXPENSES (-)	(2)	3,367,729	1,678,023
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		1,993,634	634,282
2.3	Interest on Money Market Borrowings		58,240	42,576
2.4	Interest on Securities Issued		1,294,319	989,918
2.5	Leasing Interest Expense		2,994	6,159
2.6	Other Interest Expense		18,542	5,088
III.	NET INTEREST INCOME (I - II)		6,735,321	2,863,335
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		158,468	70,855
4.1	Fees and Commissions Received		173,594	79,805
4.1.1	Non-cash Loans		56,349	30,572
4.1.2	Other		117,245	49,233
4.2	Fees and Commissions Paid (-)		15,126	8,950
4.2.1	Non-cash Loans		3,967	1,795
4.2.2	Other		11,159	7,155
V.	DIVIDEND INCOME	(3)	9,186	2,973
VI.	NET TRADING INCOME	(4)	800,919	508,631
6.1	Securities Trading Gains / (Losses)		15,009	8,587
6.2	Derivative Financial Instruments Gains / Losses		2,520,321	1,966,654
6.3	Foreign Exchange Gains / Losses (Net)		(1,734,411)	(1,466,610)
VII.	OTHER OPERATING INCOME	(5)	92,887	57,990
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		7,796,781	3,503,784
IX.	EXPECTED CREDIT LOSSES (-)	(6)	2,564,869	1,791,457
X.	OTHER PROVISION EXPENSES (-)	(6)	574,403	220,000
XI.	PERSONNEL EXPENSES (-)		335,128	173,376
XII.	OTHER OPERATING EXPENSES (-)	(7)	169,744	89,718
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		4,152,637	1,229,233
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XV.	PROFIT / (LOSS) ON EQUITY METHOD		988,668	228,830
XVI.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS		-	-
	BEFORE TAXES (XIII+...+XVI)		5,141,305	1,458,063
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (8)	(8)	1,086,271	369,055
18.1	Provision for Current Income Taxes		1,512,327	493,307
18.2	Deferred Tax Income Effect (+)		614,407	471,566
18.3	Deferred Tax Expense Effect (-)		1,040,463	595,818
XIX.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII+XVIII)	(9)	4,055,034	1,089,008
XX.	INCOME ON DISCONTINUED OPERATIONS		-	-
20.1	Income on Assets Held for Sale		-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3	Income on Other Discontinued Operations		-	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Loss from Assets Held for Sale		-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3	Loss from Other Discontinued Operations		-	-
XXII.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS		-	-
	BEFORE TAXES (XXI+XXII)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (4)		-	-
23.1	Provision for Current Income Taxes		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XXII+XXIII)		-	-
XXV.	NET PROFIT/(LOSS) (XIX+XXIV)	(10)	4,055,034	1,089,008
Earning / (loss) per share			1.448	0.389

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

Türkiye Sınai Kalkınma Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Audited Current Period 1 January 2022 – 31 December 2022	Audited Prior Period 1 January 2021 – 31 December 2021
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. CURRENT PERIOD INCOME / LOSS	4.055.034	1.089.008
II. OTHER COMPREHENSIVE INCOME	1.786.335	(179.643)
2.1 Not Reclassified Through Profit or Loss	738.832	83.084
2.1.1 Property and Equipment Revaluation Increase / Decrease	99.338	10.661
2.1.2 Intangible Assets Revaluation Increase / Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain / Loss	5.919	(7.670)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	648.676	79.581
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(15.101)	512
2.2 Reclassified Through Profit or Loss	1.047.503	(262.727)
2.2.1 Foreign Currency Translation Differences	68.974	64.573
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	819.867	(452.159)
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	253.717	30.923
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(95.055)	93.936
III. TOTAL COMPREHENSIVE INCOME (I+II)	5.841.369	909.365

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

Türkiye Sınai Kalkınma Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

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

						Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss				Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss							
CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
Prior Period – 31 December 2021																	
I. Prior Period End Balance		2.800.000	-	-	374	50.809	1.664	70.966	39.852	74.928	110.894	2.222.240	732.829	-	6.104.556	-	6.104.556
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	50.809	1.664	70.966	39.852	74.928	110.894	2.222.240	732.829	-	6.104.556	-	6.104.556
IV. Total Comprehensive Income		-	-	-	-	9.639	(6.136)	79.581	64.573	(358.223)	30.923	-	-	1.089.008	909.365	-	909.365
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		-	-	-	-	(955)	-	-	-	-	-	660.501	(732.829)	-	(73.283)	-	(73.283)
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(73.283)	-	(73.283)	-	(73.283)
11.2 Transfers to Reserves		-	-	-	-	(955)	-	-	-	-	-	620.501	(619.546)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	40.000	(40.000)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		2.800.000	-	-	374	59.493	(4.472)	150.547	104.425	(283.295)	141.817	2.882.741	-	1.089.008	6.940.638	-	6.940.638

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Translation Differences

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

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

						Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss									
				Share Cancellati on Profits	Other Capital Reserves							Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums		1	2	3	4	5	6							
Current Period – 31 December 2022																		
I.	Prior Period End Balance		2.800.000	-	-	374	59.493	(4.472)	150.547	104.425	(283.295)	141.817	2.882.741	1.089.008	-	6.940.638	-	6.940.638
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	59.493	(4.472)	150.547	104.425	(283.295)	141.817	2.882.741	1.089.008	-	6.940.638	-	6.940.638
IV.	Total Comprehensive Income		-	-	-	-	85.437	4.719	648.676	68.974	724.812	253.717	-	-	4.055.034	5.841.369	-	5.841.369
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		-	-	-	-	-	-	-	-	-	-	1.089.008	(1.089.008)	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.045.883	(1.045.883)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	43.125	(43.125)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)			2.800.000	-	-	374	144.930	247	799.223	173.399	441.517	395.534	3.971.749	-	4.055.034	12.782.007	-	12.782.007

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Transition Differences

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Note	Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		7,065,777	3,384,971
1.1.1 Interest Received		7,965,732	3,439,789
1.1.2 Interest Paid		(2,931,262)	(1,369,352)
1.1.3 Dividends Received		15,268	9,055
1.1.4 Fees and Commissions Received		173,594	79,805
1.1.5 Other Income		581,087	3,679
1.1.6 Collections from Previously Written off Loans		116,908	199,458
1.1.7 Payments to Personnel and Service Suppliers		(310,273)	(170,290)
1.1.8 Taxes Paid		(997,237)	(306,721)
1.1.9 Others		2,451,960	1,499,548
1.2 Changes in Operating Assets and Liabilities		2,298,297	210,118
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		4,992,190	1,062,378
1.2.4 Net (Increase) (Decrease) in Other Assets		(635,589)	(737,255)
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		(4,061,304)	(860,102)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		2,003,000	745,097
I. Net Cash Provided by / (used in) Banking Operations		9,364,074	3,595,089
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by / (used in) Investing Activities		(4,156,487)	(2,540,848)
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-	(134,399)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(16,592)	(8,475)
2.4 Disposals of Property and Equipment		276	936
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(3,121,352)	(3,044,446)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		5,068,517	904,858
2.7 Purchase of Financial Assets Measured at Amortized Cost		(6,636,025)	(419,990)
2.8 Sale of Financial Assets Measured at Amortized Cost		550,421	162,558
2.9 Others		(1,732)	(1,890)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by / (used in) Financing Activities		(1,548,885)	(9,922)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		2,916,300	2,558,789
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(4,422,450)	(2,460,308)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	(73,283)
3.5 Payments for Leases		(42,735)	(35,120)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		179,026	533,518
V. Net Increase / (Decrease) in Cash and Cash Equivalents		3,837,728	1,577,837
VI. Cash and Cash Equivalents at Beginning of the Period		3,219,221	1,641,385
VII. Cash and Cash Equivalents at End of the Period		7,056,949	3,219,222

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

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Audited Current Period December 31, 2022 (1)	Audited Prior Period December 31, 2021 (4)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	5,141,305	1,458,063
1.2 TAXES AND DUTIES PAYABLE	1,086,271	369,055
1.2.1 Corporate Tax (Income tax)	1,512,327	493,307
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (3)	(426,056)	(124,252)
A. NET INCOME FOR THE YEAR (1.1-1.2)	4,055,034	1,089,008
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	54,450
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	4,055,034	1,034,558
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 STATUTORY RESERVES (-)	-	-
1.11 GENERAL RESERVES	-	-
1.12 OTHER RESERVES	-	991,433
1.13 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To owners of ordinary shares	-	-
2.2.2 To owners of preferred shares	-	-
2.2.3 To owners of preferred shares (pre-emptive rights)	-	-
2.2.4 To profit sharing bonds	-	-
2.2.5 To holders of profit and loss sharing certificates	-	-
2.3 DIVIDENDS TO PERSONNEL (-)	-	-
2.4 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (2)		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	1.45	0.39
3.3 TO OWNERS OF PRIVILEGED SHARES	144.82	38.89
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
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 (%)	-	-

(1) Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2022 yet, only profit available for distribution for the year 2022 is presented.

(2) 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.

(3) The current period and the prior period amounts are related to deferred tax income.

(4) The profit distribution table for the previous period became final with the decision of the Ordinary General Assembly dated March 29, 2022, after the publication of the independently audited financial statements dated December 31, 2021 and rearranged in this direction.

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

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

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

The accounting policies and valuation principles used in the 2022 period are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXII below.

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

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

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, financial statements as of December 21, 2022, in accordance with TFRS are not adjusted for inflation (TAS 29 is not applied).

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

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

The coronavirus epidemic spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in our country as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. Due to COVID-19, the Bank allowed loan customers to translate their principal, interest and installments under current conditions if they demand and began to apply the translations within this context.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (Continued)

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

As it is intended to update the financial information contained in the latest annual financial statements in the year end financial statements prepared as of December 31, 2022 and considering the magnitude of the economic changes occurred due to COVID-19, the Bank made estimates in the calculation of expected credit losses and disclosed these in footnote VIII "Disclosures on impairment of financial assets". In the coming periods, the Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.

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

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

Changes in accounting policies and disclosures

TAS / TFRS changes, which entered into force as of January 1, 2022, do not have a significant effect on the accounting policies, financial status and performance of the Bank. TAS and TFRS changes, which were published but not put into effect as of the final date of the financial statements, will not have a significant effect on the accounting policies, financial status and performance of the Bank.

In addition, the Indicator Interest Rate Reform - 2nd Phase, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, was published in December 2020, effective from January 1, 2022, and early implementation of the changes is allowed. With the amendments made, certain exceptions are provided for the basis used in determining contractual cash flows and hedge accounting provisions. The effects of the changes on the Bank's financials have been evaluated and it has been concluded that there is no need for early application.

I.d Other

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

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

A great majority of foreign currency fair value through other comprehensive income securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources. The hedging strategies for other foreign exchange risk exposures: A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

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

III. Explanations on forward and option contracts and derivative instruments

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

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IV. Explanations on associates and subsidiaries

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

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

V. Explanations on interest income and expenses

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

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

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

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

VI. Explanations on fees and commission income and expenses

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

Assessment of business model

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

Assessment of business model (continued)

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

- Business model whose aimed to hold assets in order to collect contractual cash flows: This is a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. Financial assets held under this business model are measured at amortized cost if the contractual terms of the financial asset pass the cash flow test, which includes only the principal and interest payments on the principal balance at specified dates.

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

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

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

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

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In a basic lending agreement, the time value of money and the cost of credit risk are often the most important elements of interest. Judgment is used to assess whether that element simply pays for the passage of time, taking into account relevant factors such as the currency in which the financial asset is expressed and the period in which the interest rate applies. Where the terms of the contract begin to expose it to risks or volatility of cash flows that are inconsistent with a core lending agreement, the financial asset is measured at fair value through profit or loss.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

Measurement categories of financial assets and liabilities

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

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

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. held on 23 September 2019, it was decided to convert some of the loan to capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of shares increased from TL 0,8 to TL 64.403. With the restructuring on 17 August 2022, the Bank's participation rate increased to 1,8403% and no fee was paid by the Bank for the increase.

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

55% of LYY Telekomünikasyon A.Ş. Türk Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on September 19, 2019 for the purpose of selling its shares, and within this scope, necessary studies regarding the sale and meetings with potential investors were carried out.

As of the date of March 31, 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192.500.000.000 Group A shares representing 55% of its capital were sold to the Turkey Wealth Fund, in consequence of the collection made from the sales amount, a collection was made from the related loan at the rate of the Bank's share. However, a provision for impairment has been made for the entire acquired asset.

As of June 30, 2022, the risk related to LYY Telekomünikasyon A.Ş., which has been fully provisioned, has been transferred to the follow-up accounts, and the amount transferred to the follow-up accounts and its specific provisions have been written off from the asset in accounting terms (555.395 Thousand TL).

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

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

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

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

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

c. Financial Assets Measured at Amortized Cost:

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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

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

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

d. Loans:

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

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

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

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

VIII. Explanations on impairment of financial assets

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

Stage 1:

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Stage 2:

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

Stage 3:

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

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

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

Debt instruments measured at fair value through other comprehensive income

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Significant increase in credit risk

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

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

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

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

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

In the future expectations, 3 scenarios are used to be as base, bad and good. Final provisions are calculated by weighing on the possibilities given to the scenarios. As of December 31, 2022, within the scope of the ECL effects of Covid-19, the weight of the base scenario was decreased of 3 scenarios, and weights of the bad and very bad scenarios was increased. Also for possible effects the Bank has established additional provisions for the sector and customers, which are considered to have a high impact on the expected credit loss calculations by making individual assessment for the risks that cannot be captured through the models.

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

b. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

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

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

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

Derecognition of financial assets without any change in contractual terms

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

Derecognition of financial liabilities

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

c. Reclassification of financial instruments

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

d. Restructuring and refinancing of financial instruments

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

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

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

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

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

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

- Recovery in debt service

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

XI. Explanations on assets held for sale and discontinued operations

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

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

As of March 31, 2022, LYY Telekomünikasyon A.Ş. owned which Türk Telekomünikasyon A.Ş. 192,500,000,000 A group registered shares representing 55% of its capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sale amount, a collection was made from the related loan in proportion to the Bank's share. However, a provision for impairment has been made for the entire acquired asset.

As of June 30, 2022, the risk related to LYY Telekomünikasyon A.Ş., which has been fully provisioned, has been transferred to the follow-up accounts, and the amount transferred to the follow-up accounts and its specific provisions have been written off from the asset in accounting terms (555,395 Thousand TL).

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on goodwill and other intangible assets

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

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

XIII. Explanations on tangible assets

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

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

The positive difference between the real estate values in the revised appraisal reports prepared by licensed valuation companies in 2022 and the net book value of the relevant real estates is followed in the equity.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on tangible assets (continued)

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

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

XIV. Explanations on leasing transactions

The Bank as Lessor

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

The Bank as Lessee

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

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

TFRS 16 Leases

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on leasing transactions (continued)

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

Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

Lease Liabilities

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on leasing transactions (continued)

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority ("POA") has changed to TFRS 16 "Leases" standard by publishing Privileges Granted in Lease Payments - "Amendments to TFRS 16 Leases" concerning Covid-19. Concessions Continuing in Lease Payments Regarding COVID-19 After 30 June 2021 - "Changes in TFRS 16" was published in the Official Gazette dated 7 April 2021 and numbered 31447. With this change, tenants are exempted from the concessions granted to tenants due to COVID-19 in rent payments, not to assess whether there is a change in the lease. This change did not have a significant impact on the financial status or performance of the Bank. However, due to the high level of the epidemic, on 7 April 2021, the POA decided to extend the exemption to include concessions that caused a reduction in lease payments that expired on or before 30 June 2022. This change did not have a significant impact on the financial status or performance of the Bank.

Short-term leases and leases of low-value assets

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

XV. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits

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

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

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

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

According to the provisional Article 20 of 73rd article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. With the amendment in the first paragraph of the temporary article 20 of the Social Security and General Health Insurance Law No. 5510 published in the Official Gazette dated March 8, 2012 and numbered 28227, the 2-year postponement authority given to the Council of Ministers was increased to 4 years. It has been resolved that the transfer process has been extended two years with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Ministers Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer needs to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not realizing the transfer process.

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

In accordance with the Health and Safety Law numbered 6645 which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of December 31, 2021 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 17 January 2022. There is no need for technical or actual deficit to book provision as of December 31, 2021. In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

XVII. Explanations on taxation

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

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

As of December 31, 2022, the Corporate Tax rate valid in Turkey is 25%. However, with the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810, and the Law on Amendments to Some Laws and Decree-Laws, Article 26 With the paragraph added to the provisional article 13 of the Corporate Tax Law No. 5520, the Corporate Tax rate will be applied as 25% for the corporate earnings for the 2022 taxation period. This amendment will be valid in the taxation of corporate earnings for the periods starting from 1 January 2022, starting with the declarations that must be submitted as of July 01, 2022. Since the tax rate change came into effect as of April 15, 2022, 25% was used as the tax rate in the period tax calculations in the financial statements dated December 31, 2022 (December 31, 2021: 25%).

Within the scope of Article 298 of the Tax Procedure Code, it is stipulated that if the increase in the producer price index is more than 100% in the last 3 accounting periods including the current period and more than 10% in the current accounting period, the financial statements will be subject to inflation adjustment and these conditions have been fulfilled as of September 30, 2022. However, the Law No. 7352 "On the Amendment of the Tax Procedure Law and the Corporate Tax Law" published in the Official Gazette dated January 29, 2022 and numbered 31734 and the provisional Article 33 were added to the Tax Procedure Law No. 213 and the accounting periods of 2021 and 2022, including the temporary tax periods (as of the accounting periods ending in 2022 and 2023 for those who were assigned special accounting periods) and the 2023 accounting period within the scope of Article 298. It has been enacted that the financial statements will not be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have occurred or not, and that the financial statements dated December 31, 2023 will be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have occurred or not, and that the profit/loss differences arising from the inflation adjustment will be shown in the profit/loss account of previous years.

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the legal tax rates.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on taxation (continued)

While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

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

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

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

In accordance with the Provisional Article 13 added to the Corporate Tax Law Numbered 5520 with the Law Numbered 7316, the 20% rate foreseen in the calculation of the corporate tax for the corporate earnings of the 2021 taxation period is determined as 25% (starting from the declarations to be submitted as of July 1, 2021 and to be valid for the corporate earnings for the taxation period starting from January 1, 2021), and as 23% for the corporate earnings for the 2022 taxation period. On the other hand, in accordance with the amendment made in Article 32 of the Corporate Tax Law with the Law No. 7394 published in the Official Gazette dated 15.04.2022 and numbered 31810, the corporate tax rate should start from the declarations that must be submitted as of 01.07.2022 and taxation starting from 01.01.2022. It has been determined as 25% to be valid for the corporate earnings of the period. The Bank has calculated deferred tax by using 25% rate (December 31, 2021: 20%, 23%, and 25% rates are used).

Deferred tax receivables and liability are netted off.

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

Transfer pricing

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Additional explanations on borrowings

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

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

XIX. Explanations on share certificates issued

In the meeting of the General Assembly held on 29 March 2022, it has been resolved that, the Bank has no capital increase.

XX. Explanations on acceptances

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

XXI. Explanations on government incentives

The Bank does not use government incentives.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXII. Explanations on segment reporting

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

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	2.806.614	3.928.707	-	6.735.321
Net Fees and Commission Income	52.564	102.533	3.371	158.468
Other Income	-	800.919	1.090.741	1.891.660
Other Expense	(2.678.279)	(117.221)	(848.644)	(3.644.144)
Profit Before Tax	180.899	4.714.938	245.468	5.141.305
Tax Provision				(1.086.271)
Net Profit				4.055.034
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	74.787.609	35.283.873	2.020.506	112.091.988
Investment in Associates and Subsidiaries	-	-	3.483.384	3.483.384
Total Assets	74.787.609	35.283.873	5.503.890	115.575.372
Segment Liabilities	93.477.043	3.656.787	5.659.535	102.793.365
Shareholders' Equity	-	-	12.782.007	12.782.007
Total Liabilities	93.477.043	3.656.787	18.441.542	115.575.372

Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	1.574.629	1.288.706	-	2.863.335
Net Fees and Commission Income	28.878	40.187	1.790	70.855
Other Income	-	508.631	289.793	798.424
Other Expense	(2.036.270)	(36.608)	(201.673)	(2.274.551)
Profit Before Tax	(432.763)	1.800.916	89.910	1.458.063
Tax Provision				(369.055)
Net Profit				1.089.008
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	61.059.338	20.048.682	1.293.178	82.401.198
Investment in Associates and Subsidiaries	-	-	1.695.287	1.695.287
Total Assets	61.059.338	20.048.682	2.988.465	84.096.485
Segment Liabilities	72.199.242	1.776.620	3.179.985	77.155.847
Shareholders' Equity	-	-	6.940.638	6.940.638
Total Liabilities	72.199.242	1.776.620	10.120.623	84.096.485

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to shareholders' equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020. As of December 31, 2022, the capital adequacy ratio of the Bank has been calculated as 22.43% (December 31, 2021: %20,77%).

As stated in the Board Decision dated 21 December 2021 and numbered 9996, in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Regulation), which was published in the Official Gazette dated 23 October 2015 and numbered 29511, with the amount in the calculation of credit risk-monetary assets and non-monetary items that are measured in terms of historical cost, except for assets in foreign currencies in the rest of the valuated special provision in accordance with international accounting standards and related amounts when calculating the amount of the business day as of the date of recent December 31, 2021 252 can be used for simple arithmetic mean of the exchange rate, the central bank oriented application; otherwise the decision of the assembly is received until history of the exchange rate to be maintained by the Central Bank of 31 December 2021 use is provided.

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

	Current Period	Prior Period
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	-	-
Reserves	3.971.749	2.882.741
Other comprehensive income according to TAS	2.364.913	582.391
Profit	4.055.034	1.089.008
Current Period Profit	4.055.034	1.089.008
Prior Period Profit	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Core Equity Tier 1 Capital Before Deductions	13.192.070	7.354.514
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	242.182	87.174
Leasehold improvements on operational leases	3.291	1.974
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	2.876	2.901
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	248.658	81.643
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier 1 Capital	497.007	173.692
Core Equity Tier 1 Capital	12.695.063	7.180.822
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	3.721.300	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Additional Tier 1 Capital before Deductions	3.721.300	-
Deductions from Additional Tier 1 Capital		
Direct and indirect investments of the Bank in its own Additional Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier 1 Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	3.721.300	-
Total Tier I Capital (Tier I Capital+Core Equity Tier I Capital+Additional Tier I Capital)	16.416.363	7.180.822
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	-	3.932.850
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	866.695	652.422
Tier II Capital Before Deductions	866.695	4.585.272
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	866.695	4.585.272
Total Capital (The sum of Tier I Capital and Tier II Capital)	17.283.058	11.766.094
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

(*) Bank; It has decided to use the early redemption option of the supplementary capital bond issue with a nominal amount of USD 300 million, the redemption date of 29 March 2027 and an early redemption option on 29 March 2022. then, the bond was redeemed on 29 March 2022.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	17.283.058	11.766.094
Total Risk Weighted Assets	77.065.121	56.643.288
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	16,47	12,68
Tier I Capital Adequacy Ratio (%)	21,30	12,68
Capital Adequacy Ratio (%)	22,43	20,77
BUFFERS		
Total buffer requirement (a+b+c)	2.512	2.510
a. Capital conservation buffer requirement (%)	2.500	2.500
b. Bank specific counter-cyclical buffer requirement (%)	0,012	0,010
c. Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	11,97	6,68
Amounts below the Excess Limits as per the Deduction Principles		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	1.294.373	726.247
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	3.407.717	2.056.753
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	866.695	652.422
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier I Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Information on debt instruments to be included in the equity calculation

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking are made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal suretyship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of overdue and impaired loans and information related to impairment and provisions are provided in Section Four, Note X.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types

	Current Period		Prior Period	
	Risk Amount (1)	Average Risk Amount (2)	Risk Amount (1)	Average Risk Amount (2)
Exposures to sovereigns and their central banks	21.993.361	18.970.113	12.177.116	9.829.960
Exposures to regional and local governments	-	-	-	-
Exposures to administrative bodies and noncommercial entities	11.516	34.162	1.742	12.597
Exposures to multilateral development banks	65.251	75.617	82.218	63.322
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	8.914.553	7.607.095	4.589.828	4.156.755
Exposures to corporates	119.001.151	107.737.403	86.031.082	77.689.919
Retail exposures	-	-	-	-
Exposures secured by property	792.218	1.088.746	1.295.263	1.411.219
Past due receivables	186.913	587.226	741.674	796.518
Exposures in higher-risk categories	701.943	891.533	1.350.011	1.442.379
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	545.914	127.399	72.151	31.009
Equity investments	3.615.882	2.302.916	1.870.214	1.526.268
Other exposures	512.481	1.164.554	537.393	613.101

(1) Includes total risk amounts before the effect of credit risk mitigation.

(2) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

There are control limits on positions held in the form of futures and options contracts and other similar contracts. Limits are continuously checked by the bank management. Credit risk is managed together with the potential risks arising from market movements. Credit risk, market risk, liquidity risk and other risks are considered as a whole. When exposed to significant credit risk, the Bank is on the verge of reducing total risk by concluding futures and similar contracts, exercising their rights, fulfilling or selling their performances in a short period of time. Indemnified non-cash loans are subject to the same risk weight as the unpaid credits when they occur.

Except for the monitoring method determined by the related legislation of the renewed and re-amortized loans, the current rating of the relevant company is changed within the Bank within the scope of internal rating application and all kinds of measures are taken for risk classification. The Bank follows concentration on a maturity basis and examines the risks that differ from the normal course. Foreign transactions are made with many correspondent banks in many countries. The counterparty limits have been set in transactions with banks. As an active participant in the international banking market, the Bank does not have significant credit risk concentration when evaluated together with the financial activities of other financial institutions.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

The first 100 and 200 largest cash loans constitute 79,29% and 96,07% of the total cash loans portfolio of the Bank respectively (December 31, 2021: 77,25% and 95,32%).

The first 100 and 200 largest non-cash loans constitute 100% and 100% of the total non-cash loans portfolio of the Bank respectively (December 31, 2021: 99,98% and 100%).

The first 100 and 200 largest cash and non-cash loans constitute 79,34% and 95,79% of the total on and off balance sheet accounts of the Bank respectively (December 31, 2021: 76,46% and 94,47%).

For the credit risk assumed by the Bank, the expected loss provision for stage 1 and stage 2, measured in accordance with the TFRS 9 forecast loss model, is TL 3.413.700 (December 31, 2021: TL 2.064.589).

Credit risk is assessed according to the Bank's internal rating model. While the ratings of the customers outside the financial sector in the loan portfolio are made with the internal rating model, the ratings of the customers involved in the financial sector are matched to the internal ratings of the Bank given by external rating agencies.

Information on credit amounts rated by internal rating model is given table below.

Loan Quality Categories	Current Period	Prior Period
Above Average Grade	28.134.700	17.878.017
Average Grade	42.703.957	37.184.769
Below Average Grade	13.023.518	13.639.443
Impaired	2.300.636	2.081.117
Total	86.162.811	70.783.346

The total risk of the Bank's cash loans, non-cash loans and financial leasing receivables (including non-performing loans, excluding expected loss provisions) amounted to TL 87.579.622 (December 31, 2021: TL 72.450.475) as of the balance sheet date, and customers constituting TL 1.416.811 of this amount (December 31, 2021: TL 1.667.129) were not rated.

In cases where financial institutions do not have their own external rating, the credit quality was evaluated as average by taking into account the external rating of the bank, which is the main partner of the financial institution to which it is affiliated.

An aging analysis of loans with a delay of 31 days or more in close monitoring but not impaired is as follows:

	Current Period				Prior Period			
	31- 60 Days	61- 90 Days	Other	Total (1)	31- 60 Days	61- 90 Days	Other	Total(1)
Corporate Loans	-	-	-	-	241	254	-	495
SME Loans	-	-	-	-	41.379	-	-	41.379
Consumer Loans	-	-	-	-	-	-	-	-
Total	-	-	-	-	41.620	254	-	41.874

(1) Only the overdue amounts of the loans included in the relevant items are included and the total credit balance of these loans is TL 301.772 on 31 December 2021. No delay in closely monitored loans on 31 December 2022.

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Profile of significant exposures in major region

							Risk Types (1)													
Current Period	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total			
Domestic	22.003.678	-	2.303	-	-	7.159.191	61.492.619	-	792.218	186.913	84.846	-	-	545.914	71.360	272.989	92.612.031			
European Union (EU) Countries	-	-	-	44.991	-	193.793	-	-	-	-	-	-	-	-	309.796	105.607	654.187			
OECD Countries (2)	-	-	-	-	-	3.422	-	-	-	-	-	-	-	-	-	-	3.422			
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
USA, Canada	-	-	-	-	-	599.131	-	-	-	-	-	-	-	-	-	-	599.131			
Other Countries	-	-	-	20.260	-	26.152	232.459	-	-	-	-	-	-	-	-	-	278.871			
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.234.726	-	3.234.726			
Unallocated Assets/ Liabilities (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total	22.003.678	-	2.303	65.251	-	7.981.689	61.725.078	-	792.218	186.913	84.846	-	-	545.914	3.615.882	378.596	97.382.368			

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

(2) Includes OECD countries other than EU countries, USA and Canada.

(3) Includes asset and liability items that cannot be allocated on a consistent basis.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Profile of significant exposures in major region (continued)

						Risk Types (1)												
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total	
Prior Period																		
Domestic	12.047.166	-	348	-	-	2.627.141	46.345.599	-	1.295.263	741.674	107.604	-	-	72.151	108.820	251.795	63.597.561	
European Union (EU) Countries	-	-	-	45.334	-	690.754	-	-	-	-	-	-	-	-	140.064	97.667	973.819	
OECD Countries (2)	-	-	-	-	-	2.445	-	-	-	-	-	-	-	-	-	-	2.445	
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
USA, Canada	-	-	-	-	-	390.924	-	-	-	-	-	-	-	-	-	-	390.924	
Other Countries	-	-	-	36.884	-	23.555	169.344	-	-	-	-	-	-	-	-	-	229.783	
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	39.210	-	-	-	-	-	-	-	-	1.621.433	-	1.660.643	
Unallocated Assets/ Liabilities (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	12.047.166	-	348	82.218	-	3.774.029	46.514.943	-	1.295.263	741.674	107.604	-	-	72.151	1.870.317	349.462	66.855.175	

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

(2) Includes OECD countries other than EU countries, USA and Canada.

(3) Includes asset and liability items that cannot be allocated on a consistent basis.

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

	Risk Types (1)																		
Current Period	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	TL	FC	Total
Agriculture	-	-	-	-	-	-	32.986	-	-	2.793	16	-	-	-	-	340	9.584	26.551	36.135
Farming and Stockbreeding	-	-	-	-	-	-	32.986	-	-	2.793	16	-	-	-	-	-	9.244	26.551	35.795
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	44.378.289	-	268.266	131.889	84.816	-	-	-	-	-	4.764.939	40.098.321	44.863.260
Mining and Quarrying	-	-	-	-	-	-	1.220.452	-	-	-	-	-	-	-	-	-	148	1.220.304	1.220.452
Production	-	-	-	-	-	-	16.366.559	-	214.923	5.938	13	-	-	-	-	-	3.328.615	13.258.818	16.587.433
Electricity, Gas and Water	-	-	-	-	-	-	26.791.278	-	53.343	125.951	84.803	-	-	-	-	-	1.436.176	25.619.199	27.055.375
Construction	-	-	-	-	-	231	2.102.394	-	138.940	1.782	14	-	-	-	-	-	275.749	1.967.612	2.243.361
Services	2.485.656	-	-	35.595	-	7.930.028	14.524.878	-	385.012	50.449	-	-	-	\$45.914	3.615.882	323.721	11.207.259	18.689.876	29.897.135
Wholesale and Retail Trade	-	-	-	-	-	-	725.421	-	3.658	16.046	-	-	-	-	-	-	253.037	492.088	745.125
Accommodation and Dining	-	-	-	-	-	-	1.292.124	-	241.441	-	-	-	-	-	-	-	209.984	1.323.581	1.533.565
Transportation and Telecommunication	-	-	-	-	-	-	4.588.785	-	139.913	34.403	-	-	-	-	2.137	-	43.846	4.721.392	4.765.238
Financial Institutions	2.485.656	-	-	35.595	-	7.930.028	4.630.943	-	-	-	-	-	-	\$45.914	3.590.161	323.721	10.433.937	9.108.081	19.542.018
Real Estate and Rental Services	-	-	-	-	-	-	57.003	-	-	-	-	-	-	-	-	-	44.236	12.767	57.003
Professional Services	-	-	-	-	-	-	315.778	-	-	-	-	-	-	-	23.584	-	26.661	312.701	339.362
Educational Services	-	-	-	-	-	-	382.110	-	-	-	-	-	-	-	-	-	195.558	186.552	382.110
Health and Social Services	-	-	-	-	-	-	2.532.714	-	-	-	-	-	-	-	-	-	-	2.532.714	2.532.714
Others	19.518.022	-	2.303	29.656	-	51.430	686.531	-	-	-	-	-	-	-	-	54.535	10.423.334	9.919.143	20.342.477
Total	22.003.678	-	2.303	65.251	-	7.981.689	61.725.078	-	792.218	186.913	84.846	-	-	\$45.914	3.615.882	378.596	26.680.865	70.701.503	97.382.368

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Risk profile by sectors or counterparties (continued)

	Risk Types (1)																		
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	TL	FC	Total
Prior Period																			
Agriculture	-	-	-	-	-	-	29.189	-	-	2.790	16	-	-	-	-	340	16.150	16.185	32.335
Farming and Stockbreeding	-	-	-	-	-	-	29.189	-	-	2.790	16	-	-	-	-	-	15.810	16.185	31.995
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	31.584.767	-	369.006	619.018	107.577	-	-	-	-	-	1.793.596	30.886.772	32.680.368
Mining and Quarrying	-	-	-	-	-	-	1.024.781	-	30.310	-	-	-	-	-	-	-	258	1.054.833	1.055.091
Production	-	-	-	-	-	-	10.151.989	-	243.616	6.006	13	-	-	-	-	-	739.302	9.662.322	10.401.624
Electricity, Gas and Water	-	-	-	-	-	-	20.407.997	-	95.080	613.012	107.564	-	-	-	-	-	1.054.036	20.169.617	21.223.653
Construction	-	-	-	-	-	-	2.021.802	-	229.970	553	11	-	-	-	-	-	296.052	1.956.284	2.252.336
Services	1.407.431	-	-	82.218	-	3.774.029	11.937.047	-	692.833	119.313	-	-	-	72.151	1.805.914	327.050	5.246.242	14.971.744	20.217.986
Wholesale and Retail Trade	-	-	-	-	-	-	553.776	-	33.637	24.717	-	-	-	-	-	-	174.507	437.623	612.130
Accommodation and Dining	-	-	-	-	-	-	1.170.621	-	479.183	-	-	-	-	-	-	-	72.837	1.576.967	1.649.804
Transportation and Telecommunication	-	-	-	-	-	-	2.572.050	-	8.118	94.596	-	-	-	-	1.788	-	97.011	2.579.541	2.676.552
Financial Institutions	1.407.431	-	-	82.218	-	3.774.029	5.101.595	-	-	-	-	-	-	72.151	1.790.047	327.050	4.728.865	7.825.656	12.554.521
Real Estate and Rental Services	-	-	-	-	-	-	110.014	-	-	-	-	-	-	-	-	-	98.294	11.720	110.014
Professional Services	-	-	-	-	-	-	407.662	-	91.145	-	-	-	-	-	14.079	-	14.111	498.775	512.886
Educational Services	-	-	-	-	-	-	217.811	-	13.895	-	-	-	-	-	-	-	60.617	171.089	231.706
Health and Social Services	-	-	-	-	-	-	1.803.518	-	66.855	-	-	-	-	-	-	-	-	1.870.373	1.870.373
Others	10.639.735	-	348	-	-	-	942.138	-	3.454	-	-	-	-	-	64.403	22.072	6.416.692	5.255.458	11.672.150
Total	12.047.166	-	348	82.218	-	3.774.029	46.514.943	-	1.295.263	741.674	107.604	-	-	72.151	1.870.317	349.462	13.768.732	53.086.443	66.855.175

(1) The risk classes in the Regulation on the Measurement and Assessment of Capital Adequacy of Banks were taken into consideration. Since there are no securitization positions, the risk class "Securitization Positions" is not included in the table. Risk amounts after credit conversion rate and credit risk reduction are included

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types (1)	Term to Maturity				
Current Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	2.145.951	3.092.235	185.842	1.400.945	14.464.546
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	2.303	-	-	-	-
Exposures to multilateral development banks	-	-	30.841	4.754	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	5.657.043	564.777	801.851	-	906.468
Exposures to corporates	2.266.109	2.224.752	2.025.477	5.199.223	49.257.776
Retail exposures	-	-	-	-	-
Exposures secured by property	5.579	-	11.138	30.320	745.181
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	82.856
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	70	-	-	-	24.530
Total	10.077.055	5.881.764	3.055.149	6.635.242	65.481.357

(1) The conversion rate to credit and the risk amounts after credit risk reduction are included.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities (continued)

Risk Types (1)	Term to Maturity				
Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	1.413.937	1.423.188	500.530	778.132	6.623.336
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	348	-	-	-	-
Exposures to multilateral development banks	16.165	38.427	-	-	9.686
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	2.427.835	324.288	340.527	10.344	632.472
Exposures to corporates	2.861.769	2.282.091	1.721.964	3.886.378	35.179.670
Retail exposures	-	-	-	-	-
Exposures secured by property	-	-	6.349	44.573	1.244.341
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	500	104.762
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	97.667	-	-	-	35.675
Total	6.817.721	4.067.994	2.569.370	4.719.927	43.829.942

(1) The conversion rate to credit and the risk amounts after credit risk reduction are included.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Disclosures on credit risk (continued)

In determining the risk weights of the risk classes specified in Article 6 of the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, the international ratings of Fitch Ratings International Rating and JCR Avrasya Derecelendirme A.Ş. are used.

The ratings given by Fitch Ratings are used for receivables from banks and intermediary institutions whose counterparty is a resident of abroad and for receivables from central governments and central banks in the risk classes. The ratings given by JCR Avrasya Derecelendirme A.Ş. are used for receivables from banks and intermediary institutions whose counterparties are resident domestically and corporate receivables are included in the risk classes and for receivables that are denominated in TL. Other receivables from domestic residents who are not included in this scope are considered as ungraded. Credit ratings for these risk classes are not used for other assets from the borrower.

The table on matching the ratings used in the calculations to the credit quality grades is given below.

Credit Quality Level	1	2	3	4	5	6
Grade	AAA with AA-	A+ with A-	BBB+ with BBB-	BB+ with BB-	B+ with B-	CCC+ and below

Exposures by risk weights

Current Period											
Risk Weight	%0	%10	%20	%25	%50	%75	%100	%150	%200	%250	Deductions from Equity
Amount Before Credit Risk Mitigation	22.058.613	-	7.358.970	-	7.717.862	-	58.489.569	84.039	378.942	1.294.373	254.825
Amount After Credit Risk Reduction	22.068.929	-	7.358.970	-	8.510.161	-	57.686.954	84.039	378.942	1.294.373	254.825

Prior Period											
Risk Weight	%0	%10	%20	%25	%50	%75	%100	%150	%200	%250	Deductions from Equity
Amount Before Credit Risk Mitigation	12.185.305	-	3.157.298	-	5.935.451	-	44.744.762	106.112	-	726.247	86.518
Amount After Credit Risk Reduction	12.227.068	-	3.157.298	-	7.231.789	-	43.406.661	106.112	-	726.247	86.518

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Information of major sectors or type of counterparties

The Parent Bank's all impaired and non-performing receivables comprise of domestic receivables.

Current Period	Loans (1)		Provisions
Major Sectors / Counterparties	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.935	25.141
Farming and Stockbreeding	-	27.935	25.141
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	3.551.781	1.920.957	2.856.972
Mining and Quarrying	-	-	-
Production	759.144	35.173	175.599
Electricity, Gas and Water	2.792.637	1.885.784	2.681.373
Services	5.218.021	289.540	1.601.691
Wholesale and Retail Trade	581.898	81.354	223.108
Accommodation and Dining	-	-	-
Transportation and Telecommunication	3.009.146	202.372	1.161.263
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	-	5.814	5.814
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	1.626.977	-	211.506
Others	1.083.722	88.509	307.871
Total	9.853.524	2.326.941	4.791.675

(1) Includes breakdown of cash loans and financial lease receivables.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Information of major sectors or type of counterparties (continued)

Prior Period	Loans (1)		Provisions
Major Sectors / Counterparties	Impaired		Expected Credit Losses (IFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.900	25.110
Farming and Stockbreeding	-	27.900	25.110
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	2.522.173	1.646.607	1.442.592
Mining and Quarrying	-	197	197
Production	577.799	29.406	108.402
Electricity, Gas and Water	1.944.374	1.617.004	1.333.993
Services	4.279.784	341.903	866.765
Wholesale and Retail Trade	608.499	124.710	220.086
Accommodation and Dining	-	-	-
Transportation and Telecommunication	2.486.858	211.379	476.229
Financial Institutions	-	-	-
Real Estate, Rental and Management Services	-	5.814	5.814
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	1.184.427	-	164.636
Others	902.035	60.264	222.525
Total	7.703.992	2.076.674	2.556.992

(1) The distribution of cash loans and financial leasing receivables is included.

Information related with value adjustments and loan loss provisions

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	1.120.213	1.104.327	(84.513)	-	2.140.027
Stage 1-2 Provisions	2.064.589	1.368.958	(19.847)	-	3.413.700

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	751.509	414.611	(45.907)	-	1.120.213
Stage 1-2 Provisions	1.040.959	1.044.187	(20.557)	-	2.064.589

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Exposures subject to countercyclical capital buffer

The geographical distribution of receivables from the private sector is taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated November 5, 2013 and sub-arrangements is given table below.

Current Period	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
Country risk taken ultimately			
United States	287.789	-	287.789
Georgia	232.459	-	232.459
England	4.237	-	4.237
Luxembourg	415.403	-	415.403
Turkey	64.984.084	-	64.984.084
Total	65.923.972	-	65.923.972

Prior Period	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
Country risk taken ultimately			
United States	225.797	-	225.797
Georgia	169.343	-	169.343
England	24.842	-	24.842
Luxembourg	140.064	-	140.064
Turkey	48.820.987	-	48.820.987
Total	49.381.033	-	49.381.033

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to currency risk

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

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

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

	1 US Dollar	1 Euro
The Bank's "Foreign Exchange Valuation Rate"		
December 31, 2022	18,6065	19,8215
Prior Five Workdays:		
December 30, 2022	18,6065	19,8215
December 29, 2022	18,6220	19,7784
December 28, 2022	18,5770	19,7715
December 27, 2022	18,5650	19,7773
December 26, 2022	18,5500	19,7112

Simple arithmetic one month averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 18,5540 and 19,6391 respectively.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk:

Current Period	Euro	US Dollar	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	1.038.568	1.740.413	-	2.778.981
Banks	424.231	921.324	5.753	1.351.308
Financial Assets at Fair Value Through Profit or Loss (1)	254.707	629.604	2.447	886.758
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.243.824	6.066.444	-	7.310.268
Loans (2)	28.551.467	44.008.765	-	72.560.232
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	515.934	6.114.434	-	6.630.368
Derivative Financial Assets for Hedging Purposes (4)	-	138.162	-	138.162
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	5.747	82.329	-	88.076
Total Assets	32.034.478	59.701.475	8.200	91.744.153
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	575.557	681.002	-	1.256.559
Funds Provided From Other Financial Institutions	22.905.296	51.737.916	-	74.643.212
Marketable Securities Issued	-	21.047.752	-	21.047.752
Miscellaneous Payables	429.847	1.439.640	56	1.869.543
Derivative Financial Liabilities for Hedging Purposes (4)	-	134.010	-	134.010
Other Liabilities (5)	640.803	772.066	2.279	1.415.148
Total Liabilities	24.551.503	75.812.386	2.335	100.366.224
Net Balance Sheet Position	7.482.975	(16.110.911)	5.865	(8.622.071)
Net Off-Balance Sheet Position	(6.036.513)	17.593.190	197	11.556.874
Financial Derivative Assets	2.987.322	20.472.875	131.455	23.591.652
Financial Derivative Liabilities	(9.023.835)	(2.879.685)	(131.258)	(12.034.778)
Non-Cash Loans (6)	3.145.030	2.672.285	-	5.817.315
Prior Period				
Total Assets	28.490.095	42.400.449	5.866	70.896.410
Total Liabilities	20.712.802	54.503.867	626	75.217.295
Net Balance Sheet Position	7.777.293	(12.103.418)	5.240	(4.320.885)
Net Off-Balance Sheet Position	(7.091.858)	12.891.458	(3.795)	5.795.805
Financial Derivative Assets	1.648.356	16.205.232	198.105	18.051.693
Financial Derivative Liabilities	(8.740.214)	(3.313.774)	(201.900)	(12.255.888)
Non-Cash Loans (6)	2.643.435	5.301.626	-	7.945.061

(1) Exchange rate differences arising from derivative transactions amounting to TL 160.282 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(2) Loans include TL 1.357.290 foreign currency indexed loans, TL 345.616 financial lease receivables, TL 28.180 non-performing loans, and TL (28.180) credit-impaired losses (stage III specific provision).

(3) Prepaid expenses amounting to TL 10.560, forward foreign exchange purchase transaction discounts amounting to TL 12 and 12 months expected credit loss for other assets amounting to TL (3) are not included other assets.

(4) Derivative financial assets for hedging purposes has classified in line of derivative financial assets in financial statement. Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement. TL 249.764 of foreign exchange difference accrual has been deducted from "Hedging Derivative Financial Assets".

(5) Exchange rate differences arising from derivative transactions amounting to TL 136.349, accruals of foreign exchange sales commitments amounting to TL 29 and other provisions amounting to TL 37.710 have not been included in "Other Liabilities".

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to currency risk (continued)

The Bank is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	120.463	61.241	27.765	17.563
Euro	10	145.778	62.214	(1.132)	6.330
Other	10	606	145	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(120.463)	(61.241)	(27.765)	(17.563)
Euro	10	(145.778)	(62.214)	1.132	(6.330)
Other	10	(606)	(145)	-	-

(1) Values expressed are before the tax effect.

(2) Effect on equity does not include effect on profit/loss.

IV. Explanations related to interest rate risk

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

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

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

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1) (2)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey (2)	14.377	-	-	-	-	2.023.751	2.038.128
Banks (2)	1.474.593	-	-	-	-	307.079	1.781.672
Financial Assets at Fair Value Through Profit and Loss (3)	909.980	602.181	492.966	424.288	278.573	-	2.707.988
Money Market Placements (2)	1.125.392	295.634	-	-	-	-	1.421.026
Financial Assets at Fair Value Through Other Comprehensive Income	625.105	851.602	1.056.641	3.085.250	2.992.616	309.618	8.920.832
Loans (2)	13.904.749	11.362.726	21.573.974	11.342.250	4.600.649	-	62.784.348
Financial Assets Measured at Amortized Cost (2)	136.439	1.338.351	1.846.843	-	634.070	-	3.955.703
Other Assets (2)	-	-	-	64.403	-	422.385	486.788
Total Assets	18.190.635	14.450.494	24.970.424	14.916.191	8.505.908	3.062.833	84.096.485
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	774.695	-	-	-	-	-	774.695
Miscellaneous Payables	-	-	-	-	-	453.329	453.329
Marketable Securities Issued (4)	548.751	4.029.205	-	14.379.189	-	-	18.957.145
Funds Provided from Other Financial Institutions	5.323.515	14.079.034	25.577.865	7.252.607	2.011.001	-	54.244.022
Other Liabilities	167.326	340.721	233.707	199.732	197.432	8.528.376	9.667.294
Total Liabilities	6.814.287	18.448.960	25.811.572	21.831.528	2.208.433	8.981.705	84.096.485
Balance Sheet Long Position	11.376.348	-	-	-	6.297.475	-	17.673.823
Balance Sheet Short Position	-	(3.998.466)	(841.148)	(6.915.337)	-	(5.918.872)	(17.673.823)
Off-Balance Sheet Long Position	-	-	1.237.153	3.545.932	427.778	-	5.210.863
Off-Balance Sheet Short Position	(3.395.433)	(873.378)	-	-	-	-	(4.268.811)
Total Position	7.980.915	(4.871.844)	396.005	(3.369.405)	6.725.253	(5.918.872)	942.052

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

Prior Period	Euro	US Dollar	Yen	TL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	8,50
Banks	0,10	0,12	-	17,50
Financial Assets at Fair Value Through Profit and Loss (2)	-	4,55	-	-
Money Market Placements	-	-	-	17,05
Financial Assets at Fair Value Through Other Comprehensive Income	4,55	4,78	-	17,24
Loans	4,80	5,83	-	17,50
Financial Assets Measured at Amortized Cost	-	5,60	-	23,66
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,11	0,23	-	11,01
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	6,19	-	-
Borrower Funds	0,10	0,20	-	11,00
Funds Provided From Other Financial Institutions	1,09	1,40	-	16,35

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to stock position risk

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

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	1.228.706	-	1.917.257
Quoted	1.228.706	-	1.917.257
Investment in Shares-Grade B	1.605.723	-	2.695.172
Quoted	1.605.723	-	2.695.172

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	664.523	-	771.380
Quoted	664.523	-	771.380
Investment in Shares-Grade B	664.431	-	1.483.221
Quoted	664.431	-	1.483.221

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to stock position risk (continued)

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

Equity shares risk due from banking book (continued)

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

Prior Period	Realized Revenues and Losses in the Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Core Capital (1)	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	198.210	198.210	-	-	-
Other Share Certificates	-	198.670	198.670	-	-	-
Total	-	396.880	396.880	-	-	-

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

1. Explanations related to the liquidity risk

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

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

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

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

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

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

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

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

1. Explanations related to the liquidity risk (continued)

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

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

1.d Information on unconsolidated liquidity risk mitigation techniques

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

1.e Information on the use of stress tests

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio

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

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
Lowest	208,11	237,13	331,3	278,25
Related Week	23/12/2022	23/12/2022	26/11/2021	17/12/2021
Highest	564,23	387,99	534,36	356,3
Related Week	09/12/2022	09/12/2022	08/10/2021	05/11/2021

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio (continued)

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets	-	-	7.101.863	4.413.654
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.571.935	2.263.651	1.644.881	1.355.218
6 Operational deposits	652.002	637.204	163.000	159.301
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.919.933	1.626.447	1.481.881	1.195.917
9 Secured funding	-	-	-	-
10 Other Cash Outflows	478.709	653.188	478.709	653.188
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	268.926	443.405	268.926	443.405
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	209.783	209.783	209.783	209.783
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	43.331.832	38.430.313	2.166.592	1.921.516
15 Other irrevocable or conditionally revocable commitments	16.628.970	15.455.554	1.762.977	1.566.781
16 TOTAL CASH OUTFLOWS			6.053.159	5.496.703
CASH INFLOWS				
17 Secured Lending Transactions	3.688	-	-	-
18 Unsecured Lending Transactions	5.303.177	4.074.825	4.296.198	3.194.225
19 Other contractual cash inflows	213.740	2.345.678	213.740	2.345.678
20 TOTAL CASH INFLOWS	5.520.605	6.420.503	4.509.938	5.539.903
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			7.101.863	4.413.654
22 TOTAL NET CASH OUTFLOWS			1.543.221	1.374.176
23 LIQUIDITY COVERAGE RATIO (%)			460	321

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 68%. The total ratio of the securities issued in purpose of funding diversification and loans attained through subordinated loans and syndication loans in overall borrowing is 28%. 4% of the Bank's total funding is provided from the repo money markets.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total (2)
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	2.797.939	-	-	-	-	-	2.797.939
Banks	897.148	474.614	-	-	-	-	-	1.371.762
Financial Assets at Fair Value Through Profit and Loss (3)	-	1.716.708	160.975	485.339	32.574	-	-	2.395.596
Money Market Placements	-	4.723.157	534.426	460.888	-	-	-	5.718.471
Financial Assets at Fair Value Through Other Comprehensive	-	91.829	3.033.237	1.874.278	3.587.978	1.520.321	946.129	11.053.772
Loans	-	4.625.110	4.996.730	15.463.883	38.578.991	14.469.270	-	78.133.984
Financial Assets Measured at Amortized Cost	-	-	-	1.211.309	6.313.886	5.300.786	-	12.825.981
Other Assets (2)	-	-	-	-	-	-	1.277.867	1.277.867
Total Assets	897.148	14.429.357	8.725.368	19.495.697	48.513.429	21.290.377	2.223.996	115.575.372
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	521.906	3.641.913	9.554.139	33.628.800	27.296.454	-	74.643.212
Money Market Borrowings	-	1.442.591	275	-	-	-	-	1.442.866
Marketable Securities Issued (4)	-	7.130.287	-	-	13.917.465	-	-	21.047.752
Miscellaneous Payables	-	-	-	-	-	1.900.376	1.900.376	-
Other Liabilities	-	628.499	236.650	267.875	1.564	15.406.578	16.541.166	-
Total Liabilities	-	9.723.283	3.878.838	9.822.014	47.547.829	27.296.454	17.306.954	115.575.372
Liquidity Gap	897.148	4.706.074	4.846.530	9.673.683	965.600	(6.006.077)	(15.082.958)	-
Net Off-balance sheet Position	-	550.567	23.327	62.989	516.622	(9.559)	-	1.143.946
Financial Derivative Assets	-	18.625.537	2.301.232	5.583.244	20.603.676	5.130.341	-	52.244.030
Financial Derivative Liabilities	-	18.074.970	2.277.905	5.520.255	20.087.054	5.139.900	-	51.100.084
Non-cash Loans	-	460.039	565.371	3.245.059	597.699	2.002.385	435.058	7.305.611
Prior Period								
Total Assets	307.096	10.512.106	7.212.858	14.393.431	34.164.053	16.774.938	732.003	84.096.485
Total Liabilities	-	1.842.393	5.737.187	8.827.427	37.477.144	21.230.629	8.981.705	84.096.485
Liquidity Gap	307.096	8.669.713	1.475.671	5.566.004	(3.313.091)	(4.455.691)	(8.249.702)	-
Net Off-balance sheet Position	-	440.202	(269.399)	425.670	297.971	47.608	-	942.052
Financial Derivative Assets	-	7.375.701	7.627.003	4.137.312	21.125.950	4.461.542	-	44.727.508
Financial Derivative Liabilities	-	6.935.499	7.896.402	3.711.642	20.827.979	4.413.934	-	43.785.456
Non-cash Loans	-	1.020.370	396.628	3.375.599	1.582.599	1.659.750	247.871	8.282.817

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

(2) Expected credit losses for stage 1 and stage 2 are shown on the other assets, undistributed.

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of undiscounted cashflow of financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	529.582	3.946.557	11.686.983	41.924.776	34.456.950	(17.901.636)	74.643.212
Money Market Borrowings	1.443.623	280	-	-	-	(1.037)	1.442.866
Marketable Securities Issued	7.105.939	-	414.576	15.581.199	-	(2.053.962)	21.047.752
Funds	737.733	-	-	-	-	-	737.733
Leasing Liabilities	2.237	210	947	1.894	-	(3.043)	2.245
Total	9.819.114	3.947.047	12.102.506	57.507.869	34.456.950	(19.959.678)	97.873.808

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	169.875	1.253.767	9.007.179	24.618.077	22.442.733	(3.247.609)	54.244.022
Money Market Borrowings	774.783	-	-	-	-	(88)	774.695
Marketable Securities Issued	418.275	4.082.810	418.275	16.276.673	-	(2.238.888)	18.957.145
Funds	691.704	-	-	-	-	-	691.704
Leasing Liabilities	1.695	3.389	15.251	1.695	-	(3.874)	18.156
Total	2.056.332	5.339.966	9.440.705	40.896.445	22.442.733	(5.490.459)	74.685.722

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Swap Contracts	36.568.269	3.827.239	10.663.600	40.450.181	10.270.241	101.779.530
Forward Contracts	132.238	751.898	439.899	240.549	-	1.564.584
Futures Transactions	-	-	-	-	-	-
Options	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	36.700.507	4.579.137	11.103.499	40.690.730	10.270.241	103.344.114

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Swap Contracts	13.673.446	14.245.743	7.467.109	41.953.929	8.875.476	86.215.703
Forward Contracts	626.570	1.277.662	381.845	-	-	2.286.077
Futures Transactions	-	-	-	-	-	-
Options	11.184	-	-	-	-	11.184
Other	-	-	-	-	-	-
Total	14.311.200	15.523.405	7.848.954	41.953.929	8.875.476	88.512.964

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to leverage ratio

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

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

As of the Bank’s balance sheet date, the leverage ratio, calculated on the basis of the arithmetic average of the values found at the end of the month in the past three months, was 12,21% (December 31, 2021: 7,82%). The amount of assets on the balance sheet increased by 46,87% compared to the previous period.

b) Leverage Ratio

		Current Period (1)	Prior Period (1)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	111.087.792	75.635.580
2	(Assets deducted from Core Capital)	(356.929)	(230.165)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	110.730.863	75.405.415
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	782.152	1.106.330
5	Potential credit risk amount of derivative financial assets and credit derivatives	303.022	449.386
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	1.085.174	1.555.716
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	1.611.782	548.747
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	1.611.782	548.747
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	20.297.598	18.890.548
11	(Correction amount due to multiplication with credit conversion rates)	(9.087.387)	(8.513.256)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	11.210.211	10.377.292
	Capital and total risk		
13	Core Capital	15.216.183	6.869.679
14	Total risk amount (sum of lines 3, 6, 9 and 12)	124.638.030	87.887.170
	Leverage ratio		
15	Leverage ratio	12,21%	7,82%

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the financial statements of the Bank.

	Book Value Current Period	Fair Value Current Period
Financial Assets	111.243.997	110.488.731
Money Market Placements	5.718.471	5.718.471
Banks	1.371.762	1.371.762
Financial Assets at Fair Value Through Other Comprehensive Income	11.053.772	11.053.772
Financial asset measured at amortized cost	12.825.981	14.672.465
Loans (1)	80.274.011	77.672.261
Financial Liabilities	100.064.037	99.324.359
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions (2)	76.823.811	76.823.811
Marketable Securities Issued	21.047.752	20.308.074
Miscellaneous Payables	2.192.474	2.192.474

(1) Loans include financial lease receivables.

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

	Book Value Prior Period	Fair Value Prior Period
Financial Assets	79.983.794	76.516.099
Money Market Placements	1.421.026	1.421.026
Banks	1.781.672	1.781.672
Available-For-Sale Financial Assets	8.920.832	8.920.832
Held-To-Maturity Investments	3.955.703	2.582.216
Loans (1)	63.904.561	61.810.353
Financial Liabilities	75.274.316	73.972.738
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions (3)	55.710.421	55.710.421
Marketable Securities Issued (2)	18.957.145	17.655.567
Miscellaneous Payables	606.750	606.750

(1) Loans include financial lease receivables.

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

(3) Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.
- iv- For the fair value calculation of marketable securities issued, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (Level 3).

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (1)	3.404.997	7.627.652	9.272
Loans at Fair Value Through Profit or Loss	-	-	-
Derivative Financial Assets Held-for-trading (2)	-	2.007.670	-
Derivative Financial Assets for Hedging Purposes (2)	-	387.926	-
Financial Liabilities			
Derivative Financial Liabilities Held-for-trading (3)	-	998.333	-
Derivative Financial Liabilities for Hedging Purposes (3)	-	134.010	-

- (1) Securities amounting to TL 11.850 under Financial Assets at Fair Value Through Other Comprehensive Income are reflected in the financial statements at their acquisition cost since they are not traded in an active market and this securities are not shown in this table.
- (2) Positive differences from Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.
- (3) Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value (Continued)

Prior Period	Level I	Level II	Level III
Financial Assets			
Financial Assets at Fair Value Through Profit or Loss	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (1)	2.405.862	6.499.931	3.191
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading (2)	-	2.188.386	-
Derivative Financial Assets for Hedging Purposes (2)	-	256.505	-
Financial Liabilities			
Derivative Financial Liabilities Held-for-trading (3)	-	1.120.762	-
Derivative Financial Liabilities for Hedging Purposes (3)	-	-	-

(1) The securities of TL 11.850 under the item of financial assets whose fair value difference is reflected in other comprehensive income are reflected in the financial statements at the cost of acquisition due to the fact that they are not traded in an active market, and these securities are not shown in this table.

(2) The positive differences between Derivative Financial Assets for Trading and Derivative Differences for Hedging are shown in the financial statement under the line "1.4.1 Fair Value Difference Profit and Loss Portion of Derivative Financial Assets".

(3) The negative differences between Derivative Financial Liabilities for Trading and Derivative Financial Liabilities for Hedging are shown in the financial statement in the line "7.1 Fair Value Difference Profit Reflected in Loss" in the financial statement.

The statement of movement of financial assets at level 3 is given below.

	Current Period	Prior Period
Dönem Başı Bakiye	266.288	266.288
Alışlar	6.081	-
İfta veya Satış	(263.097)	-
Değerleme Farkı	-	-
Transferler	-	-
Dönem Sonu Bakiye	9.272	266.288

The real estate recorded by the Bank under tangible assets at fair value is classified at level 2.

The balance tracked as the other financial asset whose fair value difference at level 3 is reflected in profit and loss includes the loan extended to the special purpose company, the details of which are included in Chapter Five I-2.d footnote. The fair value of the loan in question has been determined as a result of various valuation methods.

IX. Transactions made on behalf and account of others, explanations of faith-based transactions

The Bank provides management and consultancy services in financial matters such as buying, selling, storing, financial matters on behalf and on behalf of others. There is no faith-based transaction by the bank.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management

Linkages between financial statements and risk amounts

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

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

Disclosures on the risk management approach and risk-weighted amount

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

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

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	64.297.768	47.813.183	5.143.821
2	Standardised approach	64.297.768	47.813.183	5.143.821
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.801.888	2.564.925	144.151
5	Standardised approach for counterparty credit risk	1.801.888	2.564.925	144.151
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies look-through approach	-	-	-
9	Investments made in collective investment companies mandate-based approach	-	-	-
10	Investments made in collective investment companies 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	3.302.888	1.236.963	264.231
17	Standardised approach	3.302.888	1.236.963	264.231
18	Internal model approaches	-	-	-
19	Operational risk	4.426.644	3.212.599	354.132
20	Basic indicator approach	4.426.644	3.212.599	354.132
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	3.235.933	1.815.618	258.875
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	77.065.121	56.643.288	6.165.210

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Assets		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at Central Bank	2.797.567	2.797.940	-	-	-	-
Banks	1.371.556	1.195.323	282.215	-	-	-
Money Market Placements	5.717.918	5.718.471	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11.053.772	11.131.940	3.451.370	-	-	-
Financial Assets Measured at Amortized Cost	12.813.774	12.825.981	2.176.743	-	-	-
Derivative Financial Assets	2.395.596	-	2.395.596	-	969.687	-
Loans	74.504.529	79.893.780	-	-	-	-
Leasing Receivables	283.079	380.231	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Associates (net)	1.493.750	1.493.750	-	-	-	248.658
Subsidiaries (net)	1.989.634	1.989.634	-	-	-	-
Joint-Ventures (net)	-	-	-	-	-	-
Tangible Assets (net)	196.705	193.414	-	-	-	3.291
Intangible Assets (net)	2.876	-	-	-	-	2.876
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-
Deferred Tax Assets	710.021	710.021	-	-	-	-
Other Assets	244.595	162.594	1.437	-	-	82.048
Total Assets	115.575.372	118.493.079	8.307.361	-	969.687	336.873

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Liabilities		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-
Funds Borrowed	70.814.085	-	2.234.168	-	-	68.579.917
Money Market Funds	1.442.866	-	1.442.866	-	-	-
Securities Issued	21.047.752	-	-	-	-	21.047.752
Funds	737.733	-	-	-	-	737.733
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	1.132.343	-	401.666	-	857.739	30.854
Factoring Payables	-	-	-	-	-	-
Lease Payables	2.245	-	-	-	-	2.245
Provisions	1.042.830	-	-	-	-	1.042.830
Current Tax Liability	551.910	-	-	-	-	551.910
Deferred tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Debts	3.829.127	-	-	-	-	3.829.127
Other Liabilities	2.192.474	-	1.799.501	-	-	392.973
Shareholders' Equity	12.782.007	-	-	-	-	12.782.007
Total Liabilities	115.575.372	-	5.878.201	-	857.739	108.997.348

(1) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

Türkiye Sınai Kalkınma Bankası A.Ş.

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Prior Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Assets		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	2.037.042	2.038.128	-	-	-	-
Financial Assets Held for Trading	1.781.000	1.713.585	68.087	-	-	-
Financial Assets at Fair Value through Profit and Loss	1.420.984	1.421.026	-	-	-	-
Banks	263.097	263.097	-	-	-	-
Money Market Placements	8.920.832	8.933.872	3.195.968	-	-	-
Financial Assets Available-for-Sale (net)	3.950.946	3.955.703	-	-	-	-
Loans and Receivables	2.444.891	-	2.444.891	-	693.717	-
Factoring Receivables	60.524.021	63.557.992	-	-	-	-
Investment Held-to-Maturity (net)	272.219	346.569	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	64.403	64.403	-	-	-	-
Joint-Ventures (net)	777.551	777.551	-	-	-	81.643
Finance Lease Receivables	917.736	917.736	-	-	-	-
Derivative Financial Assets Held for Risk	-	-	-	-	-	-
Tangible Assets (net)	97.031	95.058	-	-	-	1.973
Intangible Assets (net)	2.901	-	-	-	-	2.901
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	394.121	394.121	-	-	-	-
Other Assets	227.710	216.433	12.728	-	-	12.732
Total Assets	84.096.485	84.695.274	5.721.674	-	693.717	99.249

(1)The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Prior Period		Carrying values of items in accordance with Turkish Accounting Standards				
Liabilities	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (1)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	54.244.022	-	1.400.751	-	-	52.843.271
Funds Borrowed	774.695	-	774.695	-	-	-
Money Market Funds	14.927.941	-	-	-	-	14.927.941
Securities Issued	691.704	-	-	-	-	691.704
Funds	-	-	-	-	-	-
Miscellaneous Payables	1.120.762	-	-	-	591.030	529.732
Other Liabilities	-	-	-	-	-	-
Factoring Payables	18.156	-	-	-	-	18.156
Lease Payables	531.820	-	-	-	-	531.825
Derivative Financial Liabilities Held for Risk Management	210.793	-	-	-	-	201.344
Provisions	-	-	-	-	-	-
Tax Liability	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	4.029.204	-	-	-	-	4.029.204
Subordinated Debts	606.750	-	-	-	-	606.749
Shareholders' Equity	6.940.638	-	-	-	-	6.940.638
Total Liabilities	84.096.485	-	2.175.446	-	591.030	81.320.564

(1) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" has been included.

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

	Current Period	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1	Asset carrying value amount under scope of regulatory consolidation (1)	115.575.372	118.493.079	-	8.307.361	969.687
2	Liabilities carrying value amount under regulatory scope of consolidation (1)	115.575.372	-	-	5.878.201	857.739
3	Total net amount	-	118.493.079	-	2.429.160	111.948
4	Off-balance sheet amounts	122.002.033	7.070.638	-	330.098	-
5	Differences due to prudential filters	-	(28.181.349)	-	(220.468)	3.181.990
6	Risk Amounts	-	97.382.368	-	2.538.790	3.293.938

(1)The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

	Prior Period	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1	Asset carrying value amount under scope of regulatory consolidation	84.096.485	84.695.274	-	5.721.674	693.717
2	Liabilities carrying value amount under regulatory scope of consolidation(1)	84.096.485	-	-	2.175.446	591.030
3	Total net amount	-	84.695.274	-	3.546.228	102.687
4	Off-balance sheet amounts	107.447.979	7.486.284	-	727.354	-
5	Differences due to prudential filters	-	(25.326.383)	-	(785.879)	1.134.276
6	Risk Amounts	-	66.855.175	-	3.487.703	1.236.963

(1)The differences between the values of the assets and liabilities included in the financial statement values and the capital adequacy calculation and the amounts in the matching table.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Bank takes into account the prudent valuation principles and principles in Annex-3 annexed to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks for all positions in trading or banking accounts to be taken into account in the measurement of capital adequacy with its fair value. The Bank uses the valuation method with market value as much as possible and the valuation methods are included in detail in the third section of the report under the heading VII. Explanations for Financial Instruments in the Accounting Policies section of the report.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk

General qualitative information on credit risk

Credit risk is the possibility of incurring losses due to fulfill the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

Credit quality of assets

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Current Period	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	2.326.941	98.007.645	5.487.578	94.847.008
2 Debt Securities	-	23.593.693	192.323	23.401.370
3 Off-balance sheet	4.091	18.703.678	49.850	18.657.919
4 Total	2.331.032	140.305.016	5.729.751	136.906.297

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Prior Period	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	2.076.674	72.993.535	3.112.774	71.957.435
2 Debt Securities	-	12.907.156	281.128	12.626.028
3 Off-balance sheet	4.441	18.992.671	62.097	18.935.015
4 Total	2.081.115	104.893.362	3.455.999	103.518.478

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Changes in stock of default loans and debt securities

	Current Period	Balance
1	Defaulted loans and debt securities at end of the previous reporting period	2.081.115
2	Loans and debt securities that have defaulted since the last reporting period	582.853
3	Receivables back to non-defaulted status	-
4	Amounts written off	557.916
5	Other changes	224.980
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	2.331.032

	Prior Period	Balance
1	Defaulted loans and debt securities at end of the previous reporting period	1.689.373
2	Loans and debt securities that have defaulted since the last reporting period	12.708
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	379.034
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	2.081.115

Additional disclosure related to the credit quality of assets

The Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables".

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Breakdown of receivables according to major regions, sector and remaining maturities

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Credit Risk."

Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions

On the basis of geographical regions, the receivables from the Bank consist of domestic receivables.

On sectoral basis, the amount of the Bank's impaired loans and related provisions are included in footnotes under Section Four, Note II. "Information of major sectors or type of counterparties" explanations credit risk explanations.

As of December 31, 2022, the amount of written off receivables is TL 557.916 (December 31, 2022: None).

Aging analysis for overdue receivables

The aging analysis of the receivables past due is included in footnotes under Section Four, Note II. "Explanations related to credit risk".

Credit risk mitigation

Qualitative disclosure on credit risk mitigation techniques

In the valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Mitigation Techniques. Offsetting is not used as a credit risk reduction technique.

Financial guarantees in the Bank are subject to valuation on a daily basis. Due to the use of the comprehensive financial collateral method, the risk-reducing effects of collateral are taken into account through standard volatility adjustments. The valuations of real estate mortgages used in capital adequacy calculations are reviewed at regular intervals.

It is ensured that the value of the real estate is determined by the valuation institutions authorized by the CMB.

The main collateral that the Bank can use within the scope of credit risk mitigation techniques are; financial collateral, guarantees and mortgages. In the reporting made as of December 31, 2022, guarantees and mortgages were used as credit risk reduction techniques in the calculation of the amount based on credit risk.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk mitigation (continued)

Qualitative disclosure on credit risk mitigation techniques (continued)

Credit risk mitigation techniques - Standard approach

	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Current Period							
1 Loans	92.450.635	2.058.786	867.420	238.970	10.638	-	-
2 Debt securities	23.500.288	-	-	-	-	-	-
3 Total	115.950.923	2.058.786	867.420	238.970	10.638	-	-
4 Of which defaulted	2.326.941	-	-	-	-	-	-

	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Prior Period							
1 Loans	68.864.499	2.843.200	1.311.590	234.194	43.353	-	-
2 Debt securities	12.641.570	-	-	-	-	-	-
3 Total	81.506.069	2.843.200	1.311.590	234.194	43.353	-	-
4 Of which defaulted	2.076.675	-	-	-	-	-	-

Credit risk under standard approach

Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The related disclosures are included in footnotes "Disclosures on Credit Risk" under Section Four, Note II "Explanations related to credit risk".

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Credit risk exposure and credit risk mitigation effects

	Curent Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Risk Groups							
1 Exposures to sovereigns and their central banks		21.993.361	-	22.003.678	-	-	%0
2 Exposures to regional and local governments		-	-	-	-	-	-
3 Exposures to administrative bodies and noncommercial entities		-	11.516	-	2.303	2.303	%100
4 Exposures to multilateral development banks		65.251	-	65.251	-	-	%0
5 Exposures to international organizations		-	-	-	-	-	-
6 Exposures to banks and securities firms		7.922.193	992.360	7.922.424	59.266	2.324.427	%29
7 Exposures to corporates		56.382.301	62.618.850	56.371.754	5.353.323	58.108.592	%94
8 Retail exposures		-	-	-	-	-	-
9 Exposures secured by residential real estate property		-	-	-	-	-	-
10 Exposures secured by commercial real estate property		792.218	-	792.218	-	396.109	%50
11 Past due receivables		2.320.182	-	186.913	-	93.456	%50
12 Exposures in higher-risk categories		80.928	622.908	80.928	3.918	126.864	%150
13 Exposures in the form of bonds secured by mortgages		-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates		-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings		545.914	-	545.914	-	545.914	%100
16 Other exposures		272.998	239.483	272.989	105.607	378.596	%100
17 Equity Investments		3.615.882	-	3.615.882	-	5.557.440	%154
18 Total		93.991.228	64.485.117	91.857.951	5.524.417	67.533.701	%69

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Credit risk exposure and credit risk mitigation effects

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
	Risk Groups	On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	11.961.064	221.694	12.002.827	44.339	-	%0
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	1.742	-	348	348	%100
4	Exposures to multilateral development banks	82.218	-	82.218	-	-	%0
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	3.707.134	882.694	3.708.209	65.820	1.095.236	%29
7	Exposures to corporates	41.633.772	44.399.912	41.590.934	4.924.010	43.812.351	%94
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.295.263	-	1.295.263	-	647.631	%50
11	Past due receivables	1.661.901	-	741.674	-	629.106	%85
12	Exposures in higher-risk categories	64.831	1.286.638	64.830	42.773	160.512	%149
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	72.151	-	72.151	-	72.151	%100
16	Other exposures	141.413	395.980	141.003	208.459	251.779	%72
17	Equity Investments	1.870.317	-	1.870.317	-	2.959.687	%158
18	Total	62.490.064	47.188.660	61.569.426	5.285.749	49.628.801	%74

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Exposures by asset classes and risk weights

	Current Period					50% Secured by Real Estate Property						Total Risk Amount (After CCR and CVA)
	Risk Groups/ Risk Weight	0%	10%	20%	25%		75%	100%	150%	200%	250%	
1	Exposures to sovereigns and their central banks	22.003.678	-	-	-	-	-	-	-	-	-	22.003.678
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	2.303	-	-	-	2.303
4	Exposures to multilateral development banks	65.251	-	-	-	-	-	-	-	-	-	65.251
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	5.554.818	-	2.426.817	-	55	-	-	-	7.981.690
7	Exposures to corporates	-	-	1.804.152	-	5.104.210	-	54.437.773	-	378.942	-	61.725.077
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Receivables secured by commercial real estate mortgages	-	-	-	-	792.218	-	-	-	-	-	792.218
10	Past due receivables	-	-	-	-	186.913	-	-	-	-	-	186.913
11	Exposures in higher-risk categories	-	-	-	-	3	-	804	84.039	-	-	84.846
12	Collateralized securities	-	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	545.914	-	-	-	545.914
15	Equity investments	-	-	-	-	-	-	2.321.509	-	-	1.294.373	3.615.882
16	Other exposures	-	-	-	-	-	-	378.596	-	-	-	378.596
17	Total	22.068.929	-	7.358.970	-	8.510.161	-	57.686.954	84.039	378.942	1.294.373	97.382.368

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Exposures by asset classes and risk weights

	Prior Period					50% Secured by Real Estate Property						Total Risk Amount (After CCR and CVA)
	Risk Groups/ Risk Weight	0%	10%	20%	25%		75%	100%	150%	200%	250%	
1	Exposures to sovereigns and their central banks	12.047.166	-	-	-	-	-	-	-	-	-	12.047.166
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	348	-	-	-	348
4	Exposures to multilateral development banks	82.218	-	-	-	-	-	-	-	-	-	82.218
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	2.639.417	-	1.134.520	-	92	-	-	-	3.774.029
7	Exposures to corporates	-	-	517.881	-	4.576.577	-	41.420.486	-	-	-	46.514.944
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Receivables secured by commercial real estate mortgages	-	-	-	-	1.295.263	-	-	-	-	-	1.295.263
10	Past due receivables	-	-	-	-	225.135	-	516.539	-	-	-	741.674
11	Exposures in higher-risk categories	-	-	-	-	294	-	1.197	106.112	-	-	107.603
12	Collateralized securities	-	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	72.151	-	-	-	72.151
15	Equity investments	-	-	-	-	-	-	1.144.070	-	-	726.247	1.870.317
16	Other exposures	97.684	-	-	-	-	-	251.778	-	-	-	349.462
17	Total	12.227.068	-	3.157.298	-	7.231.789	-	43.406.661	106.112	-	726.247	66.855.175

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR)

Qualitative disclosures on CCR

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to 1.4 times the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

Analysis of counterparty credit risk exposure by approach

	Current Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	493.983	185.579	-	1.4	951.387	591.146
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	1.476.035	935.763
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.526.909

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Analysis of counterparty credit risk exposure by approach (continued)

	Prior Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	2.095.039	446.602	-	-	2.541.641	1.156.954
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	757.725	538.771
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.695.725

Credit valuation adjustment (CVA) for capital charge

	Current Period	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	951.387	272.141
4	Total subject to the CVA capital charge	951.387	272.141

	Prior Period	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	2.541.641	863.510
4	Total subject to the CVA capital charge	2.541.641	863.510

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Counterparty credit risk exposures (CCR) by regulatory portfolio and risk weights

Current Period	Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Risk groups										
Exposures to sovereigns and their central banks		80.614	-	-	-	-	-	-	-	80.614
Exposures to regional and local governments		-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities		-	-	-	-	-	592	-	-	592
Exposures to multilateral development banks		-	-	-	-	-	-	-	-	-
Exposures to international organizations		-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms		-	-	186.377	1.289.156	-	-	-	-	1.475.533
Exposures to corporates		-	-	5.366	48.319	-	812.400	4.466	-	870.551
Retail exposures		-	-	-	-	-	-	-	-	-
Other exposures		-	-	-	-	-	132	-	-	132
Total		80.614	-	191.743	1.337.475	-	813.124	4.466	-	2.427.422

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

Prior Period	Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Risk groups										
Exposures to sovereigns and their central banks		672.191	-	-	-	-	-	-	-	672.191
Exposures to regional and local governments		-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities		-	-	-	-	-	5.658	-	-	5.658
Exposures to multilateral development banks		-	-	-	-	-	-	-	-	-
Exposures to international organizations		-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms		-	-	131.109	1.549.838	-	-	-	-	1.680.947
Exposures to corporates		-	-	-	108.482	-	826.814	5.194	-	940.490
Retail exposures		-	-	-	-	-	-	-	-	-
Other exposures		-	-	-	-	-	80	-	-	80
Total		672.191	-	131.109	1.658.320	-	832.552	5.194	-	3.299.366

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Collaterals used for CCR

	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
Current Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	186.307	-
Cash – foreign currency	1.173.598	-	113.499	-	2.526.391	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	1.173.598	-	113.499	-	2.712.698	-

	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
Prior Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	165.768	-
Cash – foreign currency	-	-	-	-	1.370.448	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.536.216	-

Credit derivatives

None (December 31, 2021: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at Default Post – CRM	RWA	Exposure at Default Post – CRM	RWA
Exposure to Qualified Central Counterparties (QCCPs) Total	318.012	2.837	297.199	5.691
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	111.369	2.227	188.337	3.767
(i) OTC Derivatives	111.369	2.227	188.337	3.767
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	176.439	-	47.932	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	30.204	610	60.930	1.924
Unfunded default fund contributions	-	-	-	-
Exposures to non- Central Counterparties (QCCPs) Total	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

Securitization exposures:

None (December 31, 2021: None).

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations on market risk

Qualitative information to be disclosed to public concerning market risk

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. 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.

Interest rate, exchange rate, stock and commodity price risks are 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 monitored carefully.

Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite.

Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses in the calculation of market risk, BRSA Standard Method and advanced method which is Value at Risk (VaR) and Expected Shortfall approaches.

The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed on a daily basis and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations.

The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
Outright products		-	-
1	Interest rate risk (general and specific)	428.813	358.125
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	2.874.075	878.838
4	Commodity risk	-	-
Options		-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	3.302.888	1.236.963

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations on operational risk

Information to be disclosed to the public regarding operational risk

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

	31/12/2019	31/12/2020	31/12/2021	Total/Positive BG year number	Ratio(%)	Total
Gross Income	1.537.162	2.090.820	3.454.648	2.360.877	15	354.132
Value at Operational Risk (Total*12.5)						4.426.644

	31/12/2018	31/12/2019	31/12/2020	Total/Positive BG year number	Ratio(%)	Total
Gross Income	1.512.177	1.537.162	2.090.820	1.713.386	15	257.008
Value at Operational Risk (Total*12.5)						3.212.599

Disclosures on interest rate risk resulting from banking book

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.

Current Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
Currency			
1 TL	+500 / (400) basis point	(191.612) / 174.185	(1,11)% / 1,01%
2 Euro	+200 / (200) basis point	(27.099) / 36.391	(0,16)% / 0,21%
3 US Dollar	+200 / (200) basis point	(575.041) / 667.769	(3,33)% / 3,86%
Total (for Negative Shocks)		878.345	5,08%
Total (for Positive Shocks)		(793.752)	(4,59)%

Prior Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
Currency			
1 TL	+500 / (400) basis point	(223.223) / 207.030	(1,9)% / 1,76%
2 Euro	+200 / (200) basis point	(177.064) / 5.841	(1,50)% / 0,05%
3 US Dollar	+200 / (200) basis point	(351.156) / 312.612	(2,98)% / 2,66%
Total (for Negative Shocks)		525.483	4,47%
Total (for Positive Shocks)		(751.443)	(6,39)%

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	-	-	17	-
Balances with the Central Bank of Turkey	18.958	2.778.981	14.691	2.023.420
Other	-	-	-	-
Total	18.958	2.778.981	14.708	2.023.420

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

	Current Period(1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	18.958	22.323	14.691	16.706
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (2)	-	2.756.658	-	2.006.714
Total	18.958	2.778.981	14.691	2.023.420

(1) Expected credit loss amounting to TL 372 is allocated in "Balances with the Central Bank of Turkey" (Decembre 31, 2021: TL 1.086).

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

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2022 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	Reserve Ratio
Borrower funds	8
Until 1 year maturity (1 year included)	8
Until 3 year maturity (3 year included)	5,5
More than 3 year maturity	3
Reserve Rates for Foreign Currency Liabilities (%)	
Original Maturity	Reserve Ratio
Borrower funds	25
Until 1 year maturity (1 year included)	21
Until 2 year maturity (2 year included)	16
Until 3 year maturity (3 year included)	11
Until 5 year maturity (5 year included)	7
More than 5 year maturity	5

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

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

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blockage (December 31, 2021: None).

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

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Financial Derivative Assets (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	90.994	870	37.763	1.971
Swap Transactions	869.636	1.046.170	1.727.686	420.933
Futures Transactions	-	-	-	-
Options	-	-	-	33
Other	-	-	-	-
Total	960.630	1.047.040	1.765.449	422.937

(1) Derivative Financial Assets for Hedging Purposes amounting to TL 387.926 are shown in the "Derivative Financial Assets" account (December 31, 2021: TL 256.505).

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. As of December 31, 2022, the market rediscount value of these swaps with a nominal amount of \$ 70 million is TL 720.082 and the average rates is between 2023 and 2027 (December 31, 2021: The market rediscount value of swaps with a nominal amount of \$ 120 million is TL 774.589).

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

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

Include the loan granted to the special purpose entity as detailed in Section Five Note 1.16. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

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

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and foreign banks account

3.a Information on banks:

	Current Period (1)		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	20.454	158.015	90.472	237.725
Foreign	-	1.193.293	-	1.453.475
Branches and head office abroad	-	-	-	-
Total	20.454	1.351.308	90.472	1.691.200

(1) Expected credit loss amounting to TL 206 is allocated in "Banks" (December 31, 2021: TL 672).

3.b Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	183.840	62.067	-	-
USA and Canada	92.897	124.370	-	-
OECD Countries (1)	916.556	1.267.038	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
Total	1.193.293	1.453.475	-	-

(1) OECD countries other than European Union countries, USA and Canada.

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	-	3.331	120.368	1.058.960
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	3.331	120.368	1.058.960

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

As of December 31, 2022, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 6.331.813.

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	2.357.394	3.974.419	1.200.532	2.275.660
Other	-	-	-	-
Total	2.357.394	3.974.419	1.200.532	2.275.660

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

4.b Major types of financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income comprised of government bonds 25,75%, Eurobonds 62,45%, 11,80% and shares and other securities (December 31, 2021: 25,27% government bonds, 68,34% Eurobond, 6,39% shares and other securities).

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

	Current Period	Prior Period
Debt securities	10.287.760	8.885.354
Quoted on a stock exchange	3.219.321	2.623.885
Unquoted	7.068.439	6.261.469
Share certificates	483.277	257.632
Quoted on a stock exchange	48.228	36.726
Unquoted	435.049	220.906
Impairment provision(-)	185.011	281.265
Other	467.746	59.111
Total	11.053.772	8.920.832

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 430.155 (December 31, 2021: TL 213.782).

5. Explanation on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	681.627	-	912.073	-
Corporate shareholders	681.627	-	912.073	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	5.921	-	1.304	-
Total	687.548	-	913.377	-

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:
- 5.b.1 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans:

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued)
- 5.b.1 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans:

Prior Period (I)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	53.944.662	2.815.924	4.651.931	68.803
Working Capital loans	9.547.442	393.277	1.914.595	68.803
Export loans	1.550.388	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	8.044.021	-	-	-
Consumer loans	1.304	-	-	-
Credit cards	-	-	-	-
Other	34.801.507	2.422.647	2.737.336	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	53.944.662	2.815.924	4.651.931	68.803

(1)According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 2.232.238 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

	Current Period		Prior Period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	694.727	-	551.328	-
Significant Increase in Credit Risk	-	2.651.648	-	1.436.779

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.c Loans according to their maturity structure:

Current Period (*)	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	5.275.872	103.568	-
Non-specialized loans	5.275.872	103.568	-
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	62.657.833	2.987.921	6.541.645
Non-specialized loans	62.657.833	2.987.921	6.541.645
Specialized loans	-	-	-
Other receivables	-	-	-

Prior Period (*)	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	8.010.485	155.405	-
Non-specialized loans	8.010.485	155.405	-
Specialized loans	-	-	-
Other receivables	-	-	-
Medium and Long-term loans	45.934.177	2.660.519	4.720.734
Non-specialized loans	45.934.177	2.660.519	4.720.734
Specialized loans	-	-	-
Other receivables	-	-	-

(*)It does not include loans measured at fair value through profit/loss.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (continued):

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	202	1.102	1.304
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	202	1.102	1.304
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	202	1.102	1.304

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.e Information on commercial loans with instalments and corporate credit cards:
- The Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (December 31, 2021: None).

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	484.677	1.209.478
Private	77.082.162	60.271.842
Total	77.566.839	61.481.320

(*)Includes fair value through profit or loss loans.

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	77.279.553	61.257.193
Foreign loans	287.286	224.127
Total	77.566.839	61.481.320

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.496.337	997.287
Indirect loans granted to subsidiaries and associates	-	-
Total	1.496.337	997.287

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

	Current Period	Prior Period
Loans and receivables with limited collectability	232.742	216.068
Loans and receivables with doubtful collectability	1.557.486	572.507
Uncollectible loans and receivables	349.799	331.638
Total	2.140.027	1.120.213

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

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

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
Current Period			
Gross amounts before provisions	282.601	1.646.924	212.455
Rescheduled loans	282.601	1.646.924	212.455
Prior Period			
Gross amounts before provisions	334.966	1.264.856	312.133
Rescheduled loans	334.966	1.264.856	312.133

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.j Information on non-performing loans (net) (continued)
- 5.j.2 Information on total non-performing loans (net):

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

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

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
Prior Period			
Prior period end balance	761.282	844.026	79.635
Additions (+)	12.681	1	15
Transfers from other categories of non-performing loans (+)	-	43.839	421.687
Transfers to other categories of non-performing loans (-)	356.372	109.154	-
Collections (-)	87.582	73.381	38.495
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	5.373	559.528	13.591
Current period end balance	335.382	1.264.859	476.433
Provision (-)	216.068	572.507	331.638
Net Balances on Balance Sheet	119.314	692.352	144.795

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.j Information on non-performing loans (net)(continued)
- 5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
Current Period			
Period End Balance	586	-	27.594
Provision (-)	586	-	27.594
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	413	1.264.835	72.597
Provision (-)	413	572.498	71.812
Net Balance on Balance Sheet	-	692.337	785

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

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

	III. Group Loans and Other Receivables With Limited Collectability	IV. Group Loans and Other Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	335.382	1.264.859	476.433
Provision Amount (-)	216.068	572.507	331.638
Loans to Real Persons and Legal Entities (Net)	119.314	692.352	144.795
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the assets (continued)
5. Explanation on loans (continued)
- 5.j Information on non-performing loans (net) (continued)
- 5.j.5 Information on interest accruals, rediscout, and valuation differences calculated for non-performing loans and their provisions:

	III.Group Loans with Limited Collectability	IV.Group Loans with Doubtful Collectability	V.Group Uncollectible Loans
Current Period (Net)	-	23.634	18
Interest Accruals and Rediscout with Valuation Differences	174	380.355	35.439
Provision amount (-)	174	356.721	35.421
Prior Period (Net)	4.686	288.631	13.135
Interest Accruals and Rediscout with Valuation Differences	5.373	559.528	13.591
Provision amount (-)	687	270.897	456

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

In case of existence of the collateral elements stated in Article 13 of the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables to be set aside for these, these elements are liquidated as soon as possible as a result of both administrative and legal initiatives and liquidation of the receivables is ensured.

In the absence of collateral, the debtor is provided with an insolvency certificate, but in various periods, intense intelligence is made and the legal asset is applied to determine the acquired assets.

Legal procedures followed before and after; on the financial information of the company when the creditor deemed able to live in the investigation that will be made by the Bank and if it contributed to the economy in relation to firms that dominate considers that contributed to the production, efforts are made to the liquidation of receivables agreement.

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

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

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

As of December 31, 2022, the amount of the Bank's written off loan is TL 557.916 (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the assets (continued)
6. Information on financial assets measured at amortized cost
- 6.a The information was subjected to repurchase agreement and given as collateral/blocked amount of investments:
- 6.a The information was subjected to repurchase agreement and given as collateral/blocked amount of investments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	2.264.088	820.706	2.156.751	58.424
Subject to Repurchase Agreements	116.980	2.059.762	-	-
Total	2.381.068	2.880.468	2.156.751	58.424

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

	Current Period	Prior Period
Government Bonds	12.825.981	3.955.703
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	12.825.981	3.955.703

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

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	6.195.613	3.321.632
Not Quoted	6.630.368	634.071
Impairment provision (-)	-	-
Total	12.825.981	3.955.703

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

	Current Period	Prior Period
Balance at Beginning of the Period	3.955.703	3.083.059
Foreign Currency Differences on Monetary Assets	983.655	306.095
Purchases During The Period	6.636.025	419.990
Disposals Through Sales And Redemptions	550.421	162.558
Impairment Loss	-	-
Interest Income Accruals	1.801.019	309.117
Balance at End of Period	12.825.981	3.955.703

Expected credit loss amounting to TL 12.207 is allocated in "Financial asset measured at amortized cost (December 31, 2021: TL 4.757).

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
7. Information on associates (net)
- 7.a Information on associates:

Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1 İş Faktoring A.Ş. (İş Faktoring)	İstanbul/Türkiye	21,75	100,00
2 İş Finansal Kiralama A.Ş. (İş Finansal)	İstanbul/Türkiye	29,46	58,23
3 İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	İstanbul/Türkiye	16,67	56,79
4 Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	İstanbul/Türkiye	17,83	18,76
5 Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	İzmir/Türkiye	10,05	20,10

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/ Loss	Fair Value
1 İş Faktoring	16.429.140	1.420.458	5.608	1.691.251	-	445.386	131.372	-
2 İş Finansal (2)	36.330.079	3.744.045	46.547	1.796.140	-	826.766	312.623	1.651.504
3 İş Girişim(2)	1.011.126	1.007.356	3.412	10.362	52	732.001	11.976	217.525
4 Terme (1)	7.753	4.876	1.539	-	-	(219)	(15)	-
5 Ege Tarım	57.464	21.268	44.889	471	-	2.134	2.382	-

(1) The information is obtained from financial statements as of March 31, 2022. The information of prior year profit/loss is obtained from 31 March 2021 financial statements.

(2) Fair value is calculated over the year-end stock market value.

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

	Current Period	Prior Period
Balance at the Beginning of the Period	775.763	623.769
Movements During the Period	715.850	151.994
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase / decrease (1)	715.850	151.994
Provision for Impairment (-)	-	-
Balance at the End of the Period	1.491.613	775.763
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) Includes accounting differences with the equity method.

(2) Non-financial investments in associates amounting to TL 2.137 are not included in the table (December 31, 2021 : TL 1.788)

Information on associates sold in the current period

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

Information on associates purchased in the current period

In current period the Bank has not purchased any associates

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
7. Information on associates (net) (continued)

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	311.134	140.176
Leasing Companies	1.012.259	589.665
Financial Service Companies	-	-
Other Financial Associates	168.220	45.922

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	1.180.479	635.587
Associates quoted on foreign stock exchanges	-	-

8. Information on subsidiaries (net)

8.a Information related to equity component of subsidiaries:

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

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

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

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

Prior Period (1)	YF	TSKB GYO
CORE CAPITAL		
Paid-in Capital	63.500	650.000
Share Premium	-	1.136
Legal Reserves	6.887	8.848
Other Comprehensive Income/Loss according to TAS	22.198	-
Current and Prior Years' Profit	142.304	79.929
Leasehold Improvements (-)	754	-
Intangible Assets (-)	578	27
Total Core Capital	233.557	739.886
Supplementary Capital	-	-
Capital	-	-
NET AVAILABLE CAPITAL	233.557	739.886

(1) The information is obtained from financial statements subject to consolidation as of December 31, 2021.

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

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

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

8.c Information on subsidiaries:

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

8.c Information on subsidiaries(continued):

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1 TSKB GMD	49.354	41.422	1.915	3.813	-	17.551	7.843	-
2 YF (1)	3.548.148	347.289	11.124	267.569	3.238	115.056	66.152	-
3 TSKB GYO (1)(2)	1.817.722	1.809.529	875	3.624	-	1.069.526	124.879	2.695.172
4 TSKB SD	12.262	10.549	448	2.385	-	3.428	981	-

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

(2) Fair value is calculated over the year-end stock market value.

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

	Current Period	Prior Period
Balance at the beginning of the period	881.621	581.897
Movements in the period	1.056.043	299.724
Purchases (3)	-	133.469
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase / decrease(1)	1.056.043	166.255
Provision for impairment	-	-
Balance at the end of the period	1.937.664	881.621
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) Includes accounting differences with the equity method.

(2) Non-financial subsidiaries amounting to TL 51.970 are not included in the table (December 31, 2021: TL 36.115).

(3) After the capital increase amounting to TL 150.000.000 (full amount) by TSKB GYO A.Ş., the Bank acquired TSKB GYO A.Ş. shares amounting to 133.469 TL.

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

8.d Movement schedule for subsidiaries (continued)

Subsidiaries disposed in the current period

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

Subsidiaries purchased in the current period

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

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

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	1,937,664	881,621

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	1,605,723	656,641
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (December 31, 2021: None).

10. Information on lease receivables (net)

10.a Maturities of investments on leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	75,501	68,056	71,473	65,843
Between 1 - 4 years	129,193	108,587	139,980	127,005
More than 4 years	263,900	203,588	180,885	153,719
Total	468,594	380,231	392,338	346,567

Expected credit loss amounting to TL 97,153 (December 31, 2021: TL 74,350) is allocated in "Lease Receivables".

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Current Period	Prior Period
Gross investments in leases	468,594	392,338
Unearned revenue from leases (-)	88,363	45,771
Cancelled leases (-)	-	-
Net investments in leases	380,231	346,567

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

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

11. Explanation on derivative financial assets held for hedging purposes

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

There is a positive differences amounting to TL 387,926 related to derivative financial assets for hedging purposes (December 31, 2021: 256,505 positive differences).

As of December 31, 2022, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	15,582,944	-	134,010	19,085,248	208,148	-
FC	15,582,944	-	134,010	19,085,248	208,148	-
TL	-	-	-	-	-	-
Money Swaps	10,914,093	387,926	-	7,926,855	48,357	-
FC	10,914,093	387,926	-	7,926,855	48,357	-
TL	-	-	-	-	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

11.a.1 Information on fair value hedge accounting

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

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

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(1)	Fair Value of Hedging Instrument(1)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	(111.338)	117.468	-	6.130
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(24.900)	24.016	-	(884)
Cross Money Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(72.869)	73.489	-	620

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Explanations on tangible assets

The property is located within the Bank's tangible assets are accounted for by the scope of TAS 16 valuation. For the year 2022, appraisal companies authorized by the CMB and BRSA have been appraised, and the value increases based on the appraisal results have been accounted for in the relevant accounts.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	73.446	-	-	99.345	172.791
Assets held under finance leases	-	-	-	-	-
Vehicles	1.543	5.296	-	-	6.839
Right to use Securities-Real Estate	47.605	6.132	-	-	53.737
Assets held for resale	-	-	-	-	-
Other	36.334	11.297	(281)	-	47.350
Total Cost	158.928	22.725	(281)	99.345	280.717
Accumulated depreciation					
Land and buildings	(1.025)	(881)	-	-	(1.906)
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	(686)	(585)	-	-	(1.271)
Vehicles	(35.392)	(16.279)	-	-	(51.671)
Assets held for resale	-	-	-	-	-
Other	(24.794)	(4.588)	218	-	(29.164)
Total accumulated depreciation	(61.897)	(22.333)	218	-	(84.012)
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
Total impairment provision	-	-	-	-	-
Net Book Value	97.031	392	(63)	99.345	196.705

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Explanations on tangible assets (continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	62.771	-	-	10.675	73.446
Assets held under finance leases	-	-	-	-	-
Vehicles	1.750	-	(207)	-	1.543
Right to use Securities-Real Estate	42.861	4.744	-	-	47.605
Assets held for resale	-	-	-	-	-
Other	28.336	8.475	(477)	-	36.334
Total Cost	135.718	13.219	(684)	10.675	158.928
Accumulated depreciation					
Land and buildings	(439)	(586)	-	-	(1.025)
Assets held under finance leases	-	-	-	-	-
Vehicles	(508)	(282)	104	-	(686)
Right to use Securities-Real Estate	(22.154)	(13.238)	-	-	(35.392)
Assets held for resale	-	-	-	-	-
Other	(22.897)	(2.320)	423	-	(24.794)
Total accumulated depreciation	(45.998)	(16.426)	527	-	(61.897)
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
Total impairment provision	-	-	-	-	-
Net book value	89.720	(3.207)	(157)	10.675	97.031

13. Explanations on tangible assets

13.a Useful life or amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of December 31, 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Explanations on intangible assets (continued)

13.c Cost and accumulated amortization at the beginning and end of the period:

Current Period	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	11.646	(8.745)	13.370	(10.494)

Prior Period	Beginning of Prior Period		End of Prior Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	9.756	(6.452)	11.646	(8.745)

13.d Movement of cost and accumulated amortization for the period:

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	11.646	1.732	(8)	13.370
Total Cost	11.646	1.732	(8)	13.370
Accumulated amortization:				
Software	(8.745)	(1.757)	8	(10.494)
Total Accumulated Amortization	(8.745)	(1.757)	8	(10.494)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	2.901	(25)	-	2.876

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	9.756	1.890	-	11.646
Total Cost	9.756	1.890	-	11.646
Accumulated amortization:				
Software	(6.452)	(2.293)	-	(8.745)
Total Accumulated Amortization	(6.452)	(2.293)	-	(8.745)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	3.304	(403)	-	2.901

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As at the reporting date, the Bank has no individual intangible asset which is material in the financial statements as a whole (December 31, 2021: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Explanations on intangible assets (continued)

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As at the reporting date, the Bank has no intangible assets acquired through government grants (December 31, 2021: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As at the reporting date, the Bank has no intangible assets acquired with government incentives (December 31, 2021: None).

13.h The book value of intangible assets that are pledged or restricted for use:

As at the reporting date, there are no intangible assets with restricted use or pledged (December 31, 2021: None).

13.i Amount of purchase commitments for intangible assets:

As at the reporting date, the Bank has no purchase commitments for intangible assets (December 31, 2021: None).

13.j Information on revalued intangible assets according to their types:

The Bank did not revalue its intangible assets as at the reporting date (December 31, 2021: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Bank has no research and development costs expensed in the current period (December 31, 2021: None).

13.l Information on goodwill:

As at the reporting date, the Bank has no goodwill (December 31, 2021: None).

13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (December 31, 2021: None).

13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (December 31, 2021: None).

14. Information on investment property

The Bank has no investment property (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	20.768	24.877
Other provisions	851.929	536.267
Employee benefit provision	7.762	5.824
Marketable securities	178.422	134.352
Other	18.194	8.735
Total Deferred Tax Asset	1.077.075	710.055
Deferred tax liability:		
Valuation of derivative instruments	(322.260)	(291.210)
Funds borrowed commissions accrual adjustment	-	(17.086)
Useful life difference of fixed assets	(1.000)	(732)
Other (1)	(43.794)	(6.906)
Total Deferred Tax Liability	(367.054)	(315.934)
Net Deferred Tax Asset	710.021	394.121

(1) The other item, there is also a deferred liability related to hedge accounting amounting to TL 23.350 (December 31, 2021: TL 4.982)

	Current Period	Prior Period
Deferred Tax as of January 1 - Asset / (Liability) - Net	394.121	175.421
Deferred Tax (Loss) / Gain	426.056	124.252
Deferred Tax that is Realized Under Shareholder's Equity (1)	(110.156)	94.448
Deferred Tax Asset / (Liability) Net	710.021	394.121

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

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. (December 31, 2021: None)

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

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (December 31, 2021: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

16. Explanation on assets held for sale

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

The Parent Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAS), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192.500.000.000 Class A shares owned by OTAS in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAS, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Parent Bank has participated in LYY Telekomünikasyon A.Ş. which was established within this context with 1,6172% stake and amounting to TL 64.403. With the restructuring on 17 August 2022, the Bank's participation rate increased to 1,8403% and no fee was paid by the Bank for the increase. The Parent Bank considered the related investment within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

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

17. Information about other assets

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

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a Maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

2. Negative differences table related to derivative financial liabilities

Derivative Financial Liabilities (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	117	503	209.013	1.719
Swap Transactions	169.879	827.834	591.751	318.246
Futures Transactions	-	-	-	-
Options	-	-	-	33
Other	-	-	-	-
Total	169.996	828.337	800.764	319.998

(1) Derivative financial liabilities for hedging purposes amounting to TL 134.010 (December 31, 2021: None), were presented at "Derivative Financial Liabilities".

3. Information on banks and other financial institutions

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	552.003	-	269.301
From Foreign Banks, Institutions and Funds	-	70.262.082	89.213	53.885.508
Total	-	70.814.085	89.213	54.154.809

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	251.625	-	-
Medium and long-term	-	70.562.460	89.213	54.154.809
Total	-	70.814.085	89.213	54.154.809

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- II. Explanations and disclosures related to the liabilities (continued)
3. Information on banks and other financial institutions (continued)
- 3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	20.467.150	-	14.420.450
Cost	-	20.362.637	-	14.346.814
Book Value	-	21.047.752	-	14.927.941

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

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

As of January 14, 2021, the Bank issued Eurobond with the nominal amount of full USD 350 Million. Interest rate of these debt instruments determined as 5,875% which have the redemption date of 14 January 2026 with fixed interest rate, 5 years maturity and semiannual coupon payment.

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

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

Funds From Repurchase Agreements Transactions (1)	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	186.296	1.005.076	76.547	698.140
Financial institutions and organizations	348	-	226	-
Other institutions and organizations	185.742	1.004.763	76.127	697.944
Real persons	206	313	194	196
From Foreign Transactions	11	251.483	8	-
Financial institutions and organizations	-	251.483	-	-
Other institutions and organizations	3	-	2	-
Real persons	8	-	6	-
Total	186.307	1.256.559	76.555	698.140

(1) The details of Interbank Money Markets Debts are not included in this table. No Debts to Interbank Money Markets during the period 31 December 2022 (December 31, 2021: None).

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

There are no other liabilities, which exceed 10% of the balance sheet total (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- II. Explanations and disclosures related to the liabilities (continued)
5. Informations on financial lease obligations (net)
- 5.a Explanations on finance lease payables:

The Bank has no financial lease payables (December 31, 2021: None).

- 5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 9 cars and 383 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (December 31, 2021: 2 head office buildings, 1 branch, 8 cars and 355 computers under operational leasing). In the current period, the Bank has lease liability with TFRS 16 amounting to TL 2.245 related to operational lease transactions (December 31, 2021 : TL 18.156).

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

The Bank has no sale and lease back transactions as of the reporting date (December 31, 2021: None)

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

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

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

7. Explanations on provisions

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

The Bank has no foreign exchange losses on the foreign currency-indexed loans. (December 31, 2021: None).

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

As of the reporting date, the Bank's third-stage expected loss provisions provided for undiminished non cash loans amounts to TL 1.892 (December 31, 2021: TL 1.458). The Bank has an expected loss provision amounting to TL 47.957 for non-cash loans (December 31, 2021: TL 60.635).

- 7.c Information on other provisions:

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

Free provision amounting to TL 900.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions (December 31, 2021: TL 440.000).

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Explanations on provisions

7.c Information on other provision:

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

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

As of December 31, 2022, employee termination benefits is amounting TL 24.562 reflected in financial statements (December 31, 2021: TL 24.406). As of December 31, 2022, the Bank has provided a reserve for unused vacation amounting to TL 6.489 (December 31, 2021: TL 4.100). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gain amount of TL 5.919 are consisted after January 1, 2022, are recognised under equity in accordance with revised TAS 19 standard (December 31, 2021: TL 7.670 actuarial loss).

Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of December 31, 2022, the Bank has no obligations on pension rights (December 31, 2021: None).

Liabilities for pension funds established in accordance with Social Security Institution

None (December 31, 2021: None).

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

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

Accordingly, as of December, 31 2022 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Section 3 Note XVI, the accounting policies related with employee benefits.

7.c.3 Explanations on litigation

As of December 31, 2022, litigationis amounting TL 61.930 reflected in financial statements (December 31, 2021: None).

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

None.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Tax Payable	520.578	-	194.797	-
Deferred Tax Liability	-	-	-	-
Total	520.578	-	194.797	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	520.578	194.797
Taxation of Securities	2.161	275
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	19.328	10.089
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	2.161	2.540
Other	7.291	2.898
Total	551.519	210.599

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-EdavamEmployee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	131	65
Unemployment insurance-Employer	260	129
Other	-	-
Total	391	194

8.b Information on deferred taxes liabilities:

As at the reporting date, the Bank has no deferred tax liability (December 31, 2021: None).

9. Explanations on liabilities regarding assets held for sale

None (December 31, 2021: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The Bank has decided to exercise the early redemption option of the contribution capital bond issuance with a nominal amount of USD 300 million, a redemption date of March 29, 2027 and an early redemption option on March 29, 2022, and the redemption of the bond was realized on March 29, 2022 following receipt of the necessary permission from the Banking Supervision and Regulation Board for the use of the early redemption option.

As of March 30, 2022, the Bank has provided a sustainable subordinated loan with a nominal amount of USD 200 million and a redemption date of March 31, 2027, with a coupon payment every 6 month.

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity	-	3.829.127	-	-
Subordinated Loans	-	3.829.127	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	-	-	4.029.204
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	4.029.204
Total	-	3.829.127	-	4.029.204

11. Explanations on shareholders' equity

11.a Presentation of paid-in capital:

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

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

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

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

In line with the decision taken at the Ordinary General Assembly held on 29 March 2022, the Bank does not have any capital increase during the current period.

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

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

None (December 31, 2021: None).

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Explanations on shareholders' equity (continued)

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

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

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

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

There are no privileges granted to the Bank's shares representing the capital (December 31, 2021: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	1.058.673	-	249.161	-
Financial Assets at Fair Value Through Profit or Loss	1.017.332	(266.330)	81.116	(216.782)
Valuation Differences	843.933	(266.330)	(23.309)	(216.782)
Foreign Exchange Difference	173.399	-	104.425	-
Total	2.076.005	(266.330)	330.277	(216.782)

11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	429.245	374.794
Second legal reserve	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
Total	429.245	374.794

11.j Informations on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	3.463.943	2.429.386
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Total	3.463.943	2.429.386

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanation on off-balance sheet liabilities

1.a Types and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	163.786	378.227
Commitments for Stock Brokerage Purchase and Sales	308.422	205.433
Commitments for Letter of Credit	572.595	270.230
Capital commitments for subsidiaries and associates (1)	138.750	157.380
Other	123.677	478.974
Total	1.307.230	1.490.244

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

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 3.570.065 (December 31, 2021: TL 5.370.014).

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

As of the reporting date, total letters of guarantee given by the Bank is TL 3.735.546 (December 31, 2021: TL 2.912.803).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	1.285.671	1.285.671
With maturity of one year or less than one year	88.235	88.235
With maturity of more than one year	1.197.436	1.197.436
Other non-cash loans	6.019.940	6.997.146
Total	7.305.611	8.282.817

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanation on off-balance sheet liabilities

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	1.341.273	91	5.239.470	90	314.704	93	7.151.488	90
Mining	252	-	-	-	228	-	-	-
Manufacturing Industry	998.631	68	2.039.754	35	137.571	41	5.088.358	64
Electricity, Gas, Water	342.390	23	3.199.716	55	176.905	52	2.063.130	26
Construction	2.083	-	-	-	2.059	1	37.220	-
Services	125.390	8	470.298	9	1.442	-	675.796	9
Wholesale and Retail Trade	-	-	357	-	-	-	267	-
Hotel, Food and Beverage Services	124.010	8	114.964	2	-	-	312.681	4
Transportation and Communication	1.253	-	323.817	6	1.253	-	215.507	3
Financial Institutions	96	-	31.160	1	124	-	147.341	2
Real Asset and Leasing Services	31	-	-	-	65	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	19.550	1	107.547	1	19.551	6	80.557	1
Total	1.488.296	100	5.817.315	100	337.756	100	7.945.061	100

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

	I st Group				II nd Group			
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	1.464.573	5.816.958	326.471	7.944.794	19.631	357	6.842	267
Letters of Guarantee (1)	1.143.053	2.568.770	240.566	2.660.952	19.631	-	6.842	-
Bank Acceptances	-	39.643	-	170.742	-	-	-	-
Letters of Credit	321.520	3.208.545	85.905	5.113.100	-	357	-	267
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

(1) The letter of guarantee followed in the stage III, IV, V are respectively amounting to TL 11, TL 1.990, TL 2.091, TL...

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Explanation related to derivative financial instruments

As of December 31, 2022, the Bank's breakdown of term foreign exchange, money and interest swap transactions is as follows in foreign currency and TL denominated equivalents.

Current Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	690.671	-	156.200	11.206.566	-	-	-	-	-
US Dollar	79.262	413.995	30.235.028	17.922.170	-	-	-	-	21.164.894
Euro	79.286	296.232	7.498.706	8.006.248	-	-	-	-	5.332.143
Other	5.138	-	126.317	131.258	-	-	-	-	-
Total	854.357	710.227	38.016.251	37.266.242	-	-	-	-	26.497.037

Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
TL	573.527	78.803	706.567	6.067.113	2.970	2.970	-	-	-
US Dollar	245.890	869.691	23.643.369	14.061.258	2.622	2.622	-	-	23.018.097
Euro	244.978	273.188	5.634.006	8.691.282	-	-	-	-	3.994.006
Other	-	-	198.105	201.900	-	-	-	-	-
Total	1.064.395	1.221.682	30.182.047	29.021.553	5.592	5.592	-	-	27.012.103

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	1.067.273	352.691	34.934.113	1.794.245	639.639	27.103.508
Interest Rate Swap Transactions	848.533	645.022	40.348.380	354.374	270.358	32.100.092
Forward Transactions	91.864	620	1.564.584	39.734	210.732	2.286.077
Option Transactions	-	-	-	33	33	11.184
Other	-	-	-	-	-	-
Total	2.007.670	998.333	76.847.077	2.188.386	1.120.762	61.500.861

Fair value hedge

In the year ended 31 December 2022, the Bank had hedging swap interest and money trading transactions with a nominal amount of TL 26.497.037 (December 31, 2021: TL 27.012.103).

Hedging from the cash-flow risk

As of December 31, 2022 there is no cash-flow hedging transactions (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Explanations on loan derivatives and risk exposures

The Bank has no risk of credit derivatives or incurred as a result of them (December 31, 2021: None).

4. Explanations on contingent liabilities and assets

There are 28 legal cases against the Bank which are amounting to TL 648 as of the reporting date (December 31, 2021: TL 648 - 25 legal cases).

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

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

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

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

5. Custodian and intermediary services:

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

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (1)				
Short term loans	298.408	222.955	228.847	203.176
Medium and long term loans	456.188	4.264.782	361.158	2.330.156
Interest on non-performing loans	1.981	16.248	13.607	25.488
Premiums received from resource utilization support fund	-	-	-	-
Total	756.577	4.503.985	603.612	2.558.820

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

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (1)	309	-	998	-
Domestic banks	834	5.003	5.870	1.245
Foreign banks	-	1.863	-	1.257
Branches and head office abroad	-	-	-	-
Total	1.143	6.866	6.868	2.502

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

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	3	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	524.371	520.582	337.712	211.750
Financial Assets Measured at Amortized Cost	2.876.981	214.022	560.171	3.375
Total	3.401.355	734.604	897.883	215.125

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. As of December 31, 2022, the valuation of these securities is based on 85,51 % (October 2021-October 2022) annual inflation forecast (December 31, 2021: 19,89%).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on interest income (continued)

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	56.048	35.746

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.892	832.274	36.487	183.500
The Central Bank of Turkey	-	-	-	-
Domestic banks	3.791	333.182	17.591	3.611
Foreign banks	4.101	499.092	18.896	179.889
Branches and head office abroad	-	-	-	-
Other financial institutions	-	1.153.468	-	414.295
Total (1)	7.892	1.985.742	36.487	597.795

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

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

The Bank has no interest expense to its associates and subsidiaries (December 31, 2021: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (1)	-	1.294.319	-	989.918

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

3. Information on dividend income:

	Current period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.777	2.973
Other	3.409	-
Total	9.186	2.973

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	6.952.287	6.119.406
Gains on capital market operations	17.365	11.320
Gains on derivative financial instruments (1)	5.570.264	4.685.759
Foreign exchange gains	1.364.658	1.422.327
Losses (-)	(6.151.368)	(5.610.775)
Losses on capital market operations	(2.356)	(2.733)
Losses on derivative financial instruments (1)	(3.049.943)	(2.719.105)
Foreign exchange losses	(3.099.069)	(2.888.937)

(1) Foreign exchange gain from derivative transactions amounting to TL 3.232.603 is presented in "Gains on derivative financial instruments" (December 31, 2021: 3.593.159), foreign exchange loss from derivative transactions amounting to TL (1.077.380) is presented in "Losses on derivative financial instruments" (31 December 2021: TL (1.815.561)).

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	84.415	45.907
Gains on Sale of Assets	212	779
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	212	610
From Other Asset Sales	-	169
Other	8.260	11.304
Total	92.887	57.990

6. Expected credit loss of the Bank

	Current Period	Prior Period
Expected Credit Loss	2.537.115	1.447.900
12 Months Expected Credit Loss (Stage 1)	137.043	346.415
Significant Increase in Credit Risk (Stage 2)	1.212.068	685.811
Non-performing Loans (Stage 3) (2)	1.188.004	415.674
Marketable Securities Impairment Expenses	16.871	343.557
Financial Assets at Fair Value Through Profit or Loss	-	338.346
Financial Assets at Fair Value Through Other Comprehensive Income	16.871	5.211
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other (1)	585.286	220.000
Total	3.139.272	2.011.457

(1) As of the reporting date the free provision expense for possible losses amounting to TL 460.000 has been incurred (December 31, 2021: TL 220.000).

(2) It also includes the amount of the released provision for the loan belonging to LYY Telekomünikasyon A.Ş. that was written off from the asset during the period.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits	6.077	3.327
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	22.333	16.426
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1.757	2.293
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	-
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	77.173	35.951
Leasing Expenses on TFRS 16 Exceptions	4.801	2.065
Maintenance expenses	1.770	1.030
Advertisement expenses	1.411	722
Other expenses	69.191	32.134
Loss on sale of assets	-	-
Other (1)	62.404	31.721
Total	169.744	89.718

(1) Tax and fee expenses, excluding corporate tax, amounting to TL 25.956; Includes vacation allowance expenses amounting to TL 2.388 (31 December 2021: includes tax and fee expenses excluding corporate tax amounting to TL 7.488, permit provision expenses amounting to TL 410).

8. Information on tax provision for continued and discontinued operations

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

The Bank has amounting to TL 1.512.327 current tax expense for the period (December 31, 2021: TL 493.307 expense). Deferred tax income is TL 426.056 (December 31, 2021: TL 124.252 income).

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

Deferred tax income calculated on temporary differences is TL 426.056 (December 31, 2021: TL 124.252 income).

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

There is no deferred tax income or expense reflected in the income statement in terms of financial losses and tax deductions and exceptions. (December 31, 2021: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of December 31, 2022, the Bank's profit before tax has increased by 272,36% compared to the prior period.

10. Information on net profit/loss

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

The Bank has generated TL 10.103.050 of interest income, TL 3.367.729 of interest expenses and TL 158.468 of net fee and commission income from banking operations (December 31, 2021: TL 4.541.358 interest income, TL 1.678.023 interest expense, TL 70.855 net fee and commission income).

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

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

10.c Minority share of profit and loss:

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (December 31, 2021: None).

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

None other than other operating expense explained in Note IV.6, exceeds 10% of the income statement.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and disclosures related to the statement of changes in shareholders' equity

1. Informations related to capital

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 429.245, extraordinary legal reserves is TL 3.463.943.

2. Accumulated other comprehensive income or loss not reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value in investment in associates, subsidiaries and entities which under equity method.

3. Accumulated other comprehensive income or loss reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to the statement of cash flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

In the current period, other income amounting to TL 581.087, consists of gain on sale of assets and non-interest income (December 31, 2021: TL 3.679 gain on sale of assets, and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL 2.451.960 (December 31, 2021: TL 1.499.548) consists of derivative financial transaction losses, other operating expenses, except employee termination benefits provision and depreciation expense and taxes paid, fees and commissions paid and foreign exchange gain and loss.

In the current period, net increase/decrease item in other assets amounting to TL (635.589) (December 31, 2021: TL (737.255)), consists of change in miscellaneous receivables, reserve requirement and other assets item.

In the current period, other payables amounting to TL 2.003.000 (December 31, 2021: TL 745.097), consists of change in borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized amounting to TL 179.026 (December 31, 2021: TL 533.518).

2. Information about cash flows from acquisition of associates, subsidiaries and other investments

In the current period, the Bank invested TL 16.592 in securities and real estate and TL 1.732 in intangible assets. In the current period, the Bank did not contributed to the capital of its subsidiaries in cash.

In the prior period, the Bank has invested TL 8.475 of movable and immovable property and TL 1.890 of intangible assets. In the prior period, there is TL 134.399 investment on subsidiaries and affiliates.

Information about disposal of associates, subsidiaries, and other investments

In the current period, the Bank has generated a cash inflow of TL 276 on sale of movable fixed assets and properties (December 31, 2021: TL 936).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to the statement of cash flows (continued)

3. Information on cash and cash equivalents at the end of the period

Information on cash and cash equivalents at the beginning of the period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	17	17
Cash Equivalents	3.219.204	1.641.368
Total	3.219.221	1.641.385

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	-	17
Cash Equivalents	7.056.949	3.219.205
Total	7.056.949	3.219.222

4. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 2.756.658 (December 31, 2021: TL 2.006.714) in Turkish Republic Central Bank represent Turkish Lira, foreign currency requirements of the Bank.

5. Additional information related to financial position and liquidity of the Bank

5.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

5.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	997.287	9.754	489.070	-	13.581	-
Balance at End of Period	1.496.337	2	592.026	-	-	-
Interest and Commission Income	54.471	1.577	30.218	-	186	-

(1) As of March 30, 2022, the Bank provided from its Parent Partner a sustainable subordinated loan with a nominal amount of USD 200 million and a redemption date of March 31, 2027, with a coupon payment every 6 months.

1.b Prior Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	729.154	515	294.689	-	24.747	-
Balance at End of Period	997.287	9.754	489.070	-	13.581	-
Interest and Commission Income	35.212	534	13.543	-	908	-

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

The Bank is not authorized to accept deposits.

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

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	15.247	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	2.901	-	-	-	(1.788)
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Prior Period includes informations about December 31, 2021.

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

Benefits provided to the key management personnel in the current period amount to TL 31.623 (December 31, 2021: TL 15.896).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:

1. Domestic and foreign branches and representative offices

	Number	Number of Employees	Country of Incorporation	Total Asset	Statutory Share Capital
Domestic branches	1	438			
Foreign representations	-	-			
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly

In the current year, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

In the prior period, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

Türkiye Sınai Kalkınma Bankası A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to operations of the Bank

1.a Brief information related to ratings carried out by international rating firms:

FITCH RATINGS	
Long-term Maturity Foreign Currency (issuer)	B-
Long-term Maturity Foreign Currency Outlook (issuer)	Negative
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	B
Long-term Maturity National Currency Outlook (issuer)	Negative
Short-term Maturity National Currency (issuer)	B
State Support Note	ns
National Note	AA
National Note Outlook	Stable
Subordinated Debt Rating Note	b-
Financial Capacity Note	B
Long Term Foreign Currency (Issuer)	B-

International credit rating agency Fitch Ratings updated the Bank's credit ratings on July 26, 2022.

MOODY'S	
Reference Financial Rating Note	caal
Foreign Currency (issuer)	
Long-term Maturity	B3
Outlook	Stable
Short-term Maturity	NP
Domestic Currency (issuer)	
Long-term Maturity	B3
Outlook	Stable
Short-term Maturity	NP
Unsecured Debt-Foreign Currency	
Long-term Maturity	B3
Outlook	Stable
Foreign Currency/Domestic Currency MTN Note:	(P) B3

Information above represents updated information by Moody's as of August 16, 2022.

1.b Informations on corporate governance rating of the Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,86% (9,59 over 10) as of October 19, 2022. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,75 (Weight: 25%), 9,89 (Weight: 15%), 9,40 (Weight: 35%) over 10 respectively.

SECTION SIX

OTHER EXPLANATIONS (Continued)

1.c Fee information regarding the services received by the Bank from an Independent Auditor and the Other Independent Audit Firms:

In accordance with the decision of the POA dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor and other independent audit firms, on the amounts excluding VAT, is as follows given in the table. These fees for services rendered to the Bank and its subsidiaries are included.

	Current Period	Prior Period
Independent audit fee for the reporting period	731	618
Fees for tax advisory services	309	199
Fees for other assurance services	2.946	1.535
Fees for services other than independent audit	5	-
Total	3.991	2.352

II. Other explanations related to the events after the reporting date

The Eurobond with the ISIN code XS1750996206 with a maturity of 5 years and a nominal value of USD 350.000.000, issued by our Bank on January 16, 2018, has come to maturity as of January 16, 2023, and coupon payment and principal redemption have been realized.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The consolidated financial statements for the period ended December 31, 2022 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated February 1, 2023 is presented preceding the financial statements.

II. Explanations and notes prepared by independent auditors

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

Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2022

(Convenience Translation of the Auditor's Audit Report Originally Issued in Turkish)



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Convenience Translation of the Auditor's Audit Report Originally Issued in Turkish

Independent Auditors' Report on Audit of Consolidated Financial Statements

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.;

Qualified Opinion

We have audited the consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its subsidiaries (the Group) as at December 31, 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis of for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries as at December 31, 2022 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 November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

Basis of Qualified Opinion

As explained in Note 7 of the Explanations and Disclosures related to the Liabilities, the accompanying consolidated financial statements as at December 31, 2022 include a free provision amounting to Thousands TL 900.000 that Thousands TL 440.000 which were provided within prior years, of which Thousands TL 460.000 was provided at 2022 respectively by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Since the above mentioned provisions do not meet the accounting requirements of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the "Other Provisions" for the period ended 31 December 2022 are overstated by Thousands TL 900.000, "retained earnings" and "net income" of December 31, 2022 are understated by Thousands TL 440.000 and Thousands TL 460.000, respectively.

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 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
Related important disclosures about recognition and impact of impairment on financial assets in accordance with TFRS 9	
As presented in Section 3 disclosure IX the Bank calculates expected credit losses of financial assets in accordance with TFRS 9 "Financial Instruments". We considered the TFRS 9 impairment of financial assets as a key audit matter since:	In addition to our current audit procedures, our audit procedures are:
- Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - There are complex and comprehensive requirements of TFRS 9 - 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 Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. - Policies implemented by the Bank management include compliance risk to the regulations and other practices. - Processes of TFRS 9 are advanced and complex. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex.	- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices. - 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. - Evaluation of the reasonableness and appropriateness of the key judgments and estimates determined by the management and the methods, judgments and data sources used in the expected loss calculation, taking into account the standard requirements, industry and global practices - 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. - 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. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation. - Testing the mathematical accuracy of expected credit loss calculation on sample basis. - Evaluating the judgments and estimates used for the individually assessed financial assets. - Evaluating the accuracy and the necessity of post-model adjustments. - Auditing of TFRS 9 disclosures.



Key Audit Matter	How the matter is addressed in our audit
Pension Fund Obligations	
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 President has been authorized to determine the transfer date. 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 December 31, 2022 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated January 24, 2023, there is no need for technical or actual deficit to book provision as of December 31, 2022. 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. 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.	It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits. 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 as well as footnotes to significant assumptions.



Key Audit Matter	How the matter is addressed in our audit
Derivative Financial Instruments	
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. 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.	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. 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”).

Responsibilities of Management and Directors for the Consolidated Financial Statements

The 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 financial statements.



As part of an audit in accordance with BRSIA 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 6102; 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 January 1 – December 31, 2022 are not in compliance with the TCC and provisions of 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 Fatma Ebru Yücel.

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



Fatma Ebru Yücel, SMMM
Partner

February 1, 2023
İstanbul, Türkiye



**THE CONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

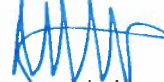
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES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

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

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

The accompanying consolidated financial statements and the explanatory footnotes and disclosures in this report, unless otherwise indicated, are prepared in thousands of Turkish Lira (“TL”), in accordance with the Communiqué on Bank’s Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank’s records, and have been independently audited and presented as attached.

01 February 2023

			
Adnan BALI	Murat BİLGİCİ	Aziz Ferit ERASLAN	Tolga SERT
Chairman of Board of Directors	Member of Board of Directors and General Manager	Executive Vice President In Charge of Financial Reporting	Director In Charge of Financial Reporting

	
Gamze YALÇIN	Bahattin ÖZARSLANTÜRK
Chairman of Audit Committee	Member of Audit Committee

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

Name-Surname / Title : Tolga Sert / Director In Charge of Financial Reporting
Telephone Number : (0212) 334 51 97

Türkiye Sınai Kalkınma Bankası A.Ş.
Industrial Development Bank of Turkey
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Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	1.413.339	50,48	1.413.339	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.152.091	41,14	1.152.091	-
Total	2.800.000	100,00	2.800.000	-

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

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,48% of the shares belongs to İş Bank Group and 38,79% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
Adnan Bali	Chairman of the Board of Directors
Ece Börü (3)	Vice Chairman of the Board of Directors
Murat Bilgiç (2)	Member of the Board of Directors and General Manager
Ganme Yalçın (3)	Independent Member of the Board of Directors and Chairman of Audit Committee
Bahattin Özarslantürk	Independent Member of the Board of Directors and Member of Audit Committee
Mithat Rende	Independent Member of the Board of Directors
Murat Doğan	Member of the Board of Directors
Celal Caner Yıldız (4)	Member of the Board of Directors
Abdi Serdar Üstünsalih	Member of the Board of Directors
Hüseyin Yalçın	Member of the Board of Directors
Cengiz Yavilioğlu	Member of the Board of Directors

General Manager and Vice Presidents

Name Surname	Title / Area of Responsibility
Murat Bilgiç (2)	General Manager
Hakan Aygen	Executive Vice President - Engineering, Credit Analysis, Credit Allocation, Specialized Loans
A. Ferit Eraslan	Executive Vice President - Financial Control, Budget Planning, Corporate Compliance, Credit Operations, Treasury and Capital Market Operations
Hasan Hepkaya	Executive Vice President - Consulting Services Sales, Corporate Banking Sales, Project Finance, Economic Research, Financial and Technical Consulting, Corporate Banking Marketing
Meral Murathan	Executive Vice President - Treasury, Financial Institutions and Investor Relations, Development Finance Institutions, Credit Monitoring, Corporate Communications
Engin Topaloğlu	Executive Vice President - Board of Inspectors, Risk Management, Internal Control
Özlem Bağdatlı (5)	Executive Vice President - Human Resources, Legal Affairs, Retirement and Supplementary Foundations
Mustafa Biliç Tanağardı (5)	Executive Vice President - Application Development, System Support and Operation, Enterprise Architecture and Process Management
Poyraz Koğacıoğlu (5)	Executive Vice President - Corporate Finance

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

(2) Member of the Board of Directors and General Manager of the Bank, Mrs. Ece Börü resigned from the General Manager position as of April 6, 2022. With the Board of Directors Decision dated as of March 25, 2022, Mr. Murat Bilgiç was appointed as the General Manager and started his duty as of 7 April 2022.

(3) Deputy Chairman of the Board of Directors, Independent Member of the Board of Directors and Chairman of the Audit Committee, Mr. Mahmut Magedizoglu resigned from his duty. At the Bank's Board of Directors meeting dated April 7, 2022 Mrs. Ece Börü has been appointed as the Vice Chairman of the Board of Directors, within the framework of Article 363 which has been a vacant spot. In addition Ganme Yalçın has been appointed as the Chairman of the Audit Committee within the framework of article 363 of the Turkish Commercial Code.

(4) Member of the Board of Directors, Mr. Ozan Uyar resigned from his post. At the Bank's Board of Directors meeting dated April 7, 2022, it was decided to elect Mr. Celal Caner Yıldız to the vacant Member of Board of Directors within the framework of Article 363 of the Turkish Commercial Code.

(5) At our Bank's Board of Directors meeting dated April 28, 2022; Mr. M. Biliç Tanağardı, Mrs. Özlem Bağdatlı and Mr. Poyraz Koğacıoğlu, have been decided to appoint as Executive Vice President.

(6) Our Bank's Deputy General Manager Mrs. Ash Zerrin Hancı left her job on April 30, 2022 due to retirement.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2022 in the General Assembly Meeting held on 29 March 2022.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

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

Yatırım Varlık Kiralama A.Ş. :

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

İş Finansal Kiralama A.Ş. :

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

İş Faktoring A.Ş. :

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

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

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

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2022

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

ASSETS	Section 5 Note I	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		11,118,327	13,011,354	24,129,681	6,180,962	11,181,611	17,362,573
1.1 Cash and Cash Equivalents		6,203,077	4,266,110	10,469,187	1,726,208	3,945,944	5,672,152
1.1.1 Cash and Balances with Central Bank	(1)	18,960	2,778,981	2,797,941	14,716	2,023,420	2,038,136
1.1.2 Banks	(3)	464,264	1,492,816	1,957,080	282,457	1,925,304	2,207,761
1.1.3 Money Market Placements		5,721,043	-	5,721,043	1,429,167	-	1,429,167
1.1.4 Expected Credit Losses (-)		1,190	5,687	6,877	132	2,780	2,912
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	175,599	-	175,599	42,759	263,097	305,856
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		98,313	-	98,313	32,276	-	32,276
1.2.3 Other Financial Assets		77,286	-	77,286	10,483	263,097	273,580
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	3,779,021	7,310,268	11,089,289	2,642,160	6,293,117	8,935,277
1.3.1 Government Debt Securities		2,846,542	6,903,245	9,749,787	2,254,125	6,096,386	8,350,511
1.3.2 Equity Instruments		112,705	407,023	519,728	83,751	196,731	280,482
1.3.3 Other Financial Assets		819,774	-	819,774	304,284	-	304,284
1.4 Derivative Financial Assets	(2)	960,630	1,434,976	2,395,606	1,769,835	679,453	2,449,288
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		960,630	1,434,976	2,395,606	1,769,835	679,453	2,449,288
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)	(5)	10,044,689	70,885,506	80,930,195	6,230,754	57,889,759	64,120,513
2.1 Loans	(10)	34,615	345,616	380,231	10,238	336,329	346,567
2.2 Lease Receivables		-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(6)	6,195,613	6,630,368	12,825,981	3,321,632	634,071	3,955,703
2.4.1 Government Debt Securities		6,195,613	6,630,368	12,825,981	3,321,632	634,071	3,955,703
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Losses (-)		2,312,947	3,207,041	5,519,988	593,505	2,529,994	3,123,499
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	-	-	-	64,403	-	64,403
3.1 Held for Sale Purpose		-	-	-	64,403	-	64,403
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		1,551,348	-	1,551,348	815,503	-	815,503
4.1 Investments in Associates (Net)	(7)	1,493,750	-	1,493,750	777,551	-	777,551
4.1.1 Accounted Under Equity Method		1,493,750	-	1,493,750	777,551	-	777,551
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(8)	51,970	-	51,970	36,116	-	36,116
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		51,970	-	51,970	36,116	-	36,116
4.3 Entities under Common Control (Joint Venture) (Net)		5,628	-	5,628	1,836	-	1,836
4.3.1 Joint Ventures Valued Based on Equity Method		5,628	-	5,628	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	1,836	-	1,836
V. TANGIBLE ASSETS (Net)	(12)	1,214,227	-	1,214,227	479,361	-	479,361
VI. INTANGIBLE ASSETS (Net)	(13)	4,278	-	4,278	4,514	-	4,514
6.1 Goodwill		1,005	-	1,005	1,005	-	1,005
6.2 Other		3,273	-	3,273	3,509	-	3,509
VII. INVESTMENT PROPERTY (Net)	(14)	764,910	-	764,910	336,177	-	336,177
VIII. CURRENT TAX ASSET		177	-	177	209	-	209
IX. DEFERRED TAX ASSET	(15)	724,131	-	724,131	396,583	-	396,583
X. OTHER ASSETS (Net)	(17)	516,911	99,578	616,489	1,222,133	111,795	1,333,928
TOTAL ASSETS		29,856,279	87,765,381	117,621,660	18,468,964	67,623,571	86,092,535

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

LIABILITIES AND EQUITY	Section 5 Note II	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
II. FUNDS BORROWED	(3)	-	70,814,085	70,814,085	119,231	54,154,809	54,274,040
III. MONEY MARKET BALANCES		1,215,564	1,256,559	2,472,123	713,079	698,140	1,411,219
IV. MARKETABLE SECURITIES ISSUED (Net)	(3)	21,047,752	21,553,457	42,601,209	879,492	14,927,941	15,807,433
4.1 Bills		333,220	-	333,220	93,237	-	93,237
4.2 Assets Backed Securities		172,485	-	172,485	786,255	-	786,255
4.3 Bonds		-	21,047,752	21,047,752	-	14,927,941	14,927,941
V. BORROWER FUNDS		27,907	709,826	737,733	11,191	680,513	691,704
5.1 Borrower Funds		27,907	709,826	737,733	11,191	680,513	691,704
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)	169,996	962,357	1,132,353	801,270	320,009	1,121,279
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		169,996	962,357	1,132,353	801,270	320,009	1,121,279
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(5)	5,563	-	5,563	4,678	-	4,678
X. PROVISIONS	(7)	1,021,789	49,640	1,071,429	488,689	58,780	547,469
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		48,190	-	48,190	33,367	-	33,367
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		973,599	49,640	1,023,239	455,322	58,780	514,102
XI. CURRENT TAX LIABILITY	(8)	580,310	-	580,310	225,072	-	225,072
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)	3,829,127	-	3,829,127	-	4,029,204	4,029,204
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	4,029,204	4,029,204
XV. OTHER LIABILITIES		428,570	2,004,454	2,433,024	409,935	548,736	958,671
XVI. SHAREHOLDERS' EQUITY		13,258,786	(266,330)	12,992,456	7,238,548	(216,782)	7,021,766
16.1 Paid-in capital	(11)	2,800,000	-	2,800,000	2,800,000	-	2,800,000
16.2 Capital Reserves		1,381	-	1,381	1,386	-	1,386
16.2.1 Share Premium		1,007	-	1,007	1,012	-	1,012
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	(11)	1,218,443	95,052	1,313,495	483,242	16,502	499,744
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1,371,833	(361,382)	1,010,451	196,233	(233,284)	(37,051)
16.5 Profit Reserves		3,702,923	-	3,702,923	2,609,620	-	2,609,620
16.5.1 Legal Reserves	(11)	440,207	-	440,207	381,427	-	381,427
16.5.2 Status Reserves		75,641	-	75,641	-	-	75,641
16.5.3 Extraordinary Reserves	(11)	3,184,155	-	3,184,155	2,149,632	-	2,149,632
16.5.4 Other Profit Reserves		2,920	-	2,920	-	-	2,920
16.6 Profit Or Loss		3,945,723	-	3,945,723	1,058,956	-	1,058,956
16.6.1 Prior Years' Profit/Loss		(34,689)	-	(34,689)	(22,153)	-	(22,153)
16.6.2 Current Year Profit/Loss		3,980,412	-	3,980,412	1,081,109	-	1,081,109
16.7 Non-Controlling Interests		218,483	-	218,483	89,111	-	89,111
TOTAL LIABILITIES AND EQUITY		17,214,190	100,407,470	117,621,660	10,891,185	75,201,350	86,092,535

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2022

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

		Audited Current Period 31 December 2022				Audited Prior Period 31 December 2021			
		Section 5 Note III		TL	FC	Total	TL	FC	Total
		OFF-BALANCE SHEET							
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II-III)		19,508,376	106,630,286	126,138,662	10,087,461	98,584,719	108,672,180	
I.	GUARANTEES AND COLLATERALS	(1)	1,488,294	5,817,315	7,305,609	337,754	7,945,061	8,282,815	
I.1	Letters of Guarantee		1,166,774	2,568,770	3,735,544	251,849	2,660,762	2,912,611	
I.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-	
I.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-	
I.1.3	Other Letters of Guarantee		1,166,774	2,568,770	3,735,544	251,849	2,660,952	2,912,801	
I.2	Bank Acceptances		-	39,643	39,643	-	170,742	170,742	
I.2.1	Import Letter of Acceptance		-	39,643	39,643	-	170,742	170,742	
I.2.2	Other Bank Acceptance		-	-	-	-	-	-	
I.3	Letters of Credit		321,520	3,208,902	3,530,422	85,905	5,113,367	5,199,272	
I.3.1	Documentary Letters of Credit		321,520	3,208,902	3,530,422	85,905	5,113,367	5,199,272	
I.3.2	Other Letters of Credit		-	-	-	-	-	-	
I.4	Pre-financing Given as Guarantee		-	-	-	-	-	-	
I.5	Endorsements		-	-	-	-	-	-	
I.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-	
I.5.2	Other Endorsements		-	-	-	-	-	-	
I.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-	
I.7	Factoring Guarantees		-	-	-	-	-	-	
I.8	Other Guarantees		-	-	-	-	-	-	
I.9	Other Collaterals		-	-	-	-	-	-	
II.	COMMITMENTS	(1)	5,868,743	9,504,856	15,373,599	2,124,218	9,400,185	11,524,403	
2.1	Irrevocable Commitments		5,057,907	270,614	5,328,521	1,567,024	795,425	2,362,449	
2.1.1	Forward Asset Purchase and Sale Commitments		53,598	110,188	163,786	84,156	294,071	378,227	
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-	
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	138,750	138,750	-	157,380	157,380	
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		5,004,309	21,676	5,025,985	1,482,868	343,974	1,826,842	
2.2	Receivable Commitments		810,836	9,234,242	10,045,078	557,194	8,604,760	9,161,954	
2.2.1	Receivable Loan Granting Commitments		810,836	9,234,242	10,045,078	557,194	8,604,760	9,161,954	
2.2.2	Other Receivable Commitments		-	-	-	-	-	-	
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	12,151,339	91,308,115	103,459,454	7,625,489	81,239,473	88,864,962	
3.1	Derivative Financial Instruments for Hedging Purposes		-	26,497,037	26,497,037	-	27,012,103	27,012,103	
3.1.1	Fair Value Hedge		-	26,497,037	26,497,037	-	27,012,103	27,012,103	
3.1.2	Cash Flow Hedge		-	-	-	-	-	-	
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-	
3.2	Held for Trading Transactions		12,151,339	64,811,078	76,962,417	7,625,489	54,227,370	61,852,859	
3.2.1	Forward Foreign Currency Buy-Sell Transactions		690,671	873,913	1,564,584	652,330	1,633,747	2,286,077	
3.2.1.1	Forward Foreign Currency Transactions-Buy		690,671	163,686	854,357	573,527	490,868	1,064,395	
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	710,227	710,227	78,803	1,142,879	1,221,682	
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		11,362,766	63,919,727	75,282,493	6,913,070	52,582,061	59,475,131	
3.2.2.1	Foreign Currency Swap-Buy		17,756	17,764,305	17,842,061	718,846	13,556,545	14,271,391	
3.2.2.2	Foreign Currency Swap-Sell		11,128,122	5,963,930	17,092,052	5,936,002	7,167,646	13,103,648	
3.2.2.3	Interest Rate Swap-Buy		78,444	20,095,746	20,174,190	131,111	15,918,935	16,050,046	
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-	
3.2.3	Foreign Currency, Interest Rate, and Securities Options		-	17,438	17,438	8,540	16,170	24,710	
3.2.3.1	Foreign Currency Options-Buy		-	8,719	8,719	4,270	8,085	12,355	
3.2.3.2	Foreign Currency Options-Sell		-	8,719	8,719	4,270	8,085	12,355	
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		-	-	-	16,214	15,392	31,606	
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	8,247	7,696	15,943	
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	7,967	7,696	15,663	
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		97,902	-	97,902	35,335	-	35,335	
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		156,833,831	1,202,625,176	1,359,459,007	78,243,073	766,899,683	845,102,756	
IV.	ITEMS HELD IN CUSTODY		3,204,952	2,527,015	5,731,967	2,057,418	1,235,367	3,292,785	
4.1	Customers' Securities Held		-	-	-	-	-	-	
4.2	Investment Securities Held in Custody		3,154,376	2,527,015	5,681,391	1,928,041	1,235,367	3,163,408	
4.3	Checks Received for Collection		-	-	-	248	-	248	
4.4	Commercial Notes Received for Collection		-	-	-	-	-	-	
4.5	Other Assets Received for Collection		-	-	-	-	-	-	
4.6	Assets Received for Public Offering		-	-	-	-	-	-	
4.7	Other Items Under Custody		-	-	-	-	-	-	
4.8	Custodians		50,576	-	50,576	129,129	-	129,129	
V.	PLEDGES ITEMS		146,276,348	958,586,712	1,104,863,060	68,402,225	599,876,328	668,282,553	
5.1	Marketable Securities		450,247	-	450,247	450,247	-	450,247	
5.2	Guarantee Notes		132,137	2,558,202	2,690,339	111,006	2,181,577	2,292,583	
5.3	Commodity		-	-	-	-	-	-	
5.4	Warranty		-	-	-	-	-	-	
5.5	Real Estate		55,452,686	256,863,629	312,316,315	8,875,479	152,961,497	161,836,976	
5.6	Other Pledged Items		90,235,278	699,164,881	789,400,159	59,039,493	444,733,254	503,772,747	
5.7	Pledged Items-Depository		-	-	-	-	-	-	
VI.	ACCEPTED BILL OF EXCHANGE AND COLLATERALS		7,382,533	241,511,449	248,893,980	7,703,430	165,747,988	173,451,418	
TOTAL OFF-BALANCE SHEET ITEMS (A+B)			176,342,207	1,309,255,462	1,485,597,669	88,338,534	865,444,402	953,774,936	

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2022

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

		Audited Current Period January 1, 2022 – December 31, 2022	Audited Prior Period January 1, 2021 – December 31, 2021
STATEMENT OF PROFIT OR LOSS		Note	
I.	INTEREST INCOME	(1)	10,374,234
1.1	Interest on Loans		5,479,961
1.2	Interest Received from Reserve Deposits		309
1.3	Interest Received from Banks		43,217
1.4	Interest Received from Money Market Placements		662,270
1.5	Interest Received from Marketable Securities Portfolio		4,139,197
1.5.1	Fair Value Through Profit or Loss		3,241
1.5.2	Fair Value Through other Comprehensive Income		1,044,953
1.5.3	Measured at Amortized Cost		3,091,003
1.6	Finance Lease Income		20,024
1.7	Other Interest Income		29,256
II.	INTEREST EXPENSES (-)	(2)	3,503,653
2.1	Interest on Deposits		-
2.2	Interest on Funds Borrowed		1,994,175
2.3	Interest on Money Market Borrowings		135,139
2.4	Interest on Securities Issued		1,353,995
2.5	Leasing Interest Expense		1,802
2.6	Other Interest Expense		18,542
III.	NET INTEREST INCOME (I - II)		6,870,581
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		341,520
4.1	Fees and Commissions Received		378,823
4.1.1	Non-cash Loans		56,349
4.1.2	Other		322,474
4.2	Fees and Commissions Paid (-)		37,303
4.2.1	Non-cash Loans		9,269
4.2.2	Other		28,034
V.	DIVIDEND INCOME	(3)	19,754
VI.	NET TRADING INCOME	(4)	835,825
6.1	Securities Trading Gains / (Losses)		75,208
6.2	Derivative Financial Instruments Gains / Losses		2,495,067
6.3	Foreign Exchange Gains / Losses (Net)		(1,734,450)
VII.	OTHER OPERATING INCOME	(5)	662,958
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		8,730,638
IX.	EXPECTED CREDIT LOSSES (-)	(6)	2,582,020
X.	OTHER PROVISION EXPENSES (-)	(6)	574,403
XI.	PERSONNEL EXPENSES (-)		436,065
XII.	OTHER OPERATING EXPENSES (-)	(7)	398,871
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		4,739,279
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XV.	PROFIT / (LOSS) ON EQUITY METHOD		-
XVI.	GAIN / (LOSS) ON NET MONETARY POSITION		-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		4,886,962
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (a)	(8)	522,241
18.1	Provision for Current Income Taxes		1,120,502
18.2	Deferred Tax Income Effect (+)		1,558,077
18.3	Deferred Tax Expense Effect (-)		602,980
18.4	Deferred Tax Expense Effect (+)		1,040,485
XIX.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII+XVIII)	(10)	4,105,739
XX.	INCOME ON DISCONTINUED OPERATIONS		-
20.1	Income on Assets Held for Sale		-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
20.3	Income on Other Discontinued Operations		-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-
21.1	Loss from Assets Held for Sale		-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
21.3	Loss from Other Discontinued Operations		-
XXII.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)		-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (a)		-
23.1	Provision for Current Income Taxes		-
23.2	Deferred Tax Expense Effect (+)		-
23.3	Deferred Tax Income Effect (-)		-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII+XXIII)		-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	(11)	4,105,739
25.1	Group's Profit / Loss		3,980,412
25.2	Minority Shares (-)		125,327
	Earning / (loss) per share		1,422

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Audited Current Period 1 January 2022 – 31 December 2022	Audited Prior Period 1 January 2021– 31 December 2021
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. CURRENT PERIOD INCOME / LOSS	4.105.739	1.097.309
II. OTHER COMPREHENSIVE INCOME	1.861.253	(151.905)
2.1 Not Reclassified Through Profit or Loss	813.751	110.907
2.1.1 Property and Equipment Revaluation Increase / Decrease	721.212	93.082
2.1.2 Intangible Assets Revaluation Increase / Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain / Loss	4.451	(7.561)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	102.994	24.874
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(14.906)	512
2.2 Reclassified Through Profit or Loss	1.047.502	(262.812)
2.2.1 Foreign Currency Translation Differences	68.974	64.573
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	819.863	(452.241)
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	253.716	30.922
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(95.051)	93.934
III. TOTAL COMPREHENSIVE INCOME (I+II)	5.966.992	945.404

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

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

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			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
						1	2	3	4	5	6						
I. Prior Period – December 31, 2021		2.800.000	776	-	374	342.425	1.392	45.975	39.852	75.014	110.895	1.947.077	712.819	-	6.076.599	54.170	6.130.769
II. Prior Period End Balance		2.800.000	776	-	374	342.425	1.392	45.975	39.852	75.014	110.895	1.947.077	712.819	-	6.076.599	54.170	6.130.769
III. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Adjusted Beginning Balance (I+II)		2.800.000	776	-	374	342.425	1.392	45.975	39.852	75.014	110.895	1.947.077	712.819	-	6.076.599	54.170	6.130.769
V. Total Comprehensive Income		-	-	-	-	92.060	(6.027)	24.874	64.573	(358.307)	30.922	-	-	1.081.109	929.204	16.200	945.404
VI. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Increase/Decrease by Other Changes		-	236	-	-	-	-	-	-	-	-	(30)	288	-	494	18.741	19.235
11.1 Profit Distribution		-	-	-	-	(955)	-	-	-	-	-	662.573	(735.260)	-	(73.642)	-	(73.642)
11.2 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(73.551)	-	(73.551)	-	(73.551)
11.3 Transfers to Reserves		-	-	-	-	(955)	-	-	-	-	-	622.573	(621.709)	-	(91)	-	(91)
11.3 Other		-	-	-	-	-	-	-	-	-	-	40.000	(40.000)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		2.800.000	1.012	-	374	433.530	(4.635)	70.849	104.425	(283.293)	141.817	2.609.620	(22.153)	1.081.109	6.932.655	89.111	7.021.766

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Translation Differences

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2022

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

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			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
						1	2	3	4	5	6						
I. Current Period – December 31, 2022		2.800.000	1.012	-	374	433.530	(4.635)	70.849	104.425	(283.293)	141.817	2.609.620	1.058.956	-	6.932.655	89.111	7.021.766
II. Prior Period End Balance																	
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	1.012	-	374	433.530	(4.635)	70.849	104.425	(283.293)	141.817	2.609.620	1.058.956	-	6.932.655	89.111	7.021.766
IV. Total Comprehensive Income		-	-	-	-	707.311	3.672	102.768	68.974	724.812	253.716	-	-	3.980.412	5.841.665	125.327	5.966.992
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		-	(5)	-	-	-	-	-	-	-	-	(33)	150	-	112	4.045	4.157
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	1.093.336	(1.093.795)	-	(459)	-	(459)
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(268)	-	(268)	-	(268)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.050.211	(1.050.402)	-	(191)	-	(191)
11.3 Other		-	-	-	-	-	-	-	-	-	-	43.125	(43.125)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		2.800.000	1.007	-	374	1.140.841	(963)	173.617	173.399	441.519	395.533	3.702.923	(34.689)	3.980.412	12.773.973	218.483	12.992.456

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Translation Differences

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Note	Audited Current Period 31 December 2022	Reviewed Prior Period 31 December 2021
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		8,571,547	3,465,828
1.1.1 Interest Received		9,541,329	3,583,179
1.1.2 Interest Paid		(3,062,692)	(1,482,426)
1.1.3 Dividends Received		19,754	8,260
1.1.4 Fees and Commissions Received		378,823	174,599
1.1.5 Other Income		662,337	67,049
1.1.6 Collections from Previously Written off Loans		117,470	199,913
1.1.7 Payments to Personnel and Service Suppliers		(491,270)	(258,021)
1.1.8 Taxes Paid		(1,025,493)	(330,043)
1.1.9 Others		2,431,289	1,503,318
1.2 Changes in Operating Assets and Liabilities		699,609	114,456
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(1,415,779)	(26,453)
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		4,528,036	864,865
1.2.4 Net (Increase) (Decrease) in Other Assets		(550,635)	(983,039)
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		(4,098,574)	(967,728)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		2,236,561	1,226,811
I. Net Cash Provided by / (used in) Banking Operations		9,271,156	3,580,284
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by / (used in) Investing Activities		(4,160,936)	(2,375,622)
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		721	15,816
2.3 Purchases of Property and Equipment		(22,349)	(11,184)
2.4 Disposals of Property and Equipment		276	936
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(3,118,513)	(3,028,291)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		5,066,279	906,564
2.7 Purchase of Financial Assets Measured at Amortized Cost		(6,636,025)	(419,990)
2.8 Sale of Financial Assets Measured at Amortized Cost		550,421	162,558
2.9 Others		(1,746)	(2,031)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by / (used in) Financing Activities		(1,308,803)	63,651
3.1 Cash Obtained From Funds Borrowed and Securities Issued		4,275,476	3,491,938
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(5,559,206)	(3,351,364)
3.3 Capital Increase		-	15,862
3.4 Dividends Paid		(268)	(73,551)
3.5 Payments for Financial Leases		(24,805)	(19,234)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		178,759	528,181
V. Net Increase in Cash and Cash Equivalents		3,980,176	1,796,494
VI. Cash and Cash Equivalents at Beginning of the Period		3,661,118	1,864,624
VII. Cash and Cash Equivalents at End of the Period		7,641,294	3,661,118

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

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Audited Current Period December 31, 2022 (1)	Audited Prior Period December 31, 2021 (4)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	5,141,305	1,458,063
1.2 TAXES AND DUTIES PAYABLE	1,086,271	369,055
1.2.1 Corporate Tax (Income tax)	1,512,327	493,307
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (3)	(426,056)	(124,252)
A. NET INCOME FOR THE YEAR (1.1-1.2)	4,055,034	1,089,008
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	54,450
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	4,055,034	1,089,008
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 STATUTORY RESERVES (-)	-	-
1.11 GENERAL RESERVES	-	-
1.12 OTHER RESERVES	-	991,433
1.13 SPECIAL FUNDS	-	-
	-	43,125
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To owners of ordinary shares	-	-
2.2.2 To owners of preferred shares	-	-
2.2.3 To owners of preferred shares (pre-emptive rights)	-	-
2.2.4 To profit sharing bonds	-	-
2.2.5 To holders of profit and loss sharing certificates	-	-
2.3 DIVIDENDS TO PERSONNEL (-)	-	-
2.4 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (2)		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES	145	0.39
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	144.82	38.89
	-	-
IV. DIVIDEND PER SHARE		
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 (%)	-	-

(1) Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2022 yet, only profit available for distribution for the year 2022 is presented.

(2) 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.

(3) The current period and the prior period amounts are related to deferred tax income.

(4) The profit distribution table for the previous period became final with the decision of the Ordinary General Assembly dated March 29, 2022, after the publication of the independently audited financial statements dated December 31, 2021 and rearranged in this direction.

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

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

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

The accounting policies and valuation principles used in the 2022 period of Group are presented in the accompanying notes and the accounting policies and valuation principles are explained in Notes II to XXIII below.

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

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

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, financial statements as of December 21, 2022, in accordance with TFRS are not adjusted for inflation (TAS 29 is not applied).

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

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

The coronavirus epidemic spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in our country as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. The Bank began to apply principal and interest translation to its customers who demanded for support and convenience in the sectors whose cash flows deteriorated since were affected by the COVID-19 epidemic and the protection measures taken in this context.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (Continued)

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

As it is intended to update the financial information contained in the latest annual financial statements in the year end financial statements prepared as of December 31, 2021 and considering the magnitude of the economic changes occurred due to COVID-19, the Bank made estimates in the calculation of expected credit losses and disclosed these in footnote IX "Disclosures on impairment of financial assets". In the coming periods, the Bank will update its relevant assumptions according to necessary extents and review the realizations of past estimates.

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

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

Changes in accounting policies and disclosures

The IAS/IFRS amendments effective January 1, 2022 have no significant impact on the Bank's accounting policies, financial position and performance. IAS and IFRS amendments that have been published as of the date of finalization of the financial statements but have not entered into force will not have a significant impact on the Bank's accounting policies, financial position and performance.

In addition, the Indicative Interest Rate Reform – Phase 2 – which introduces changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 with effect from 1 January 2022, was published in December 2020 and early implementation of the amendments is permitted. With the amendments, certain exceptions are provided in the basis used to determine contractual cash flows and in the hedging accounting provisions. The impact of the changes on the Bank's financials was assessed and had no significant impact. On the other hand, the Indicative Interest Rate Reform process continues for some indicators and the Bank continues to work within the scope of compliance with the changes.

I.d The items for which different accounting policies were applied while preparing the consolidated financial statements and their ratios to the total of the related items in the consolidated financial statements

Different accounting policies are not applied while preparing the consolidated financial statements.

I.e Other

The conflict between Russia and Ukraine since January 2022 still continues as of the report date. The Group does not carry out any activities in these two countries that are subject to the crisis. Considering the geographies in which the Group operates, no direct impact is expected on Group operations. However, since the course of the crisis is uncertain as of the report date, developments that may occur on a global scale, and the effects of these developments on the global and regional economy, on the Bank's operations are closely monitored and taken into account with the best estimation approach in the preparation of the financial statements.

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

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

The Parent Bank's foreign currency capital instruments, the fair value difference of which is reflected in other comprehensive income, are largely financed by foreign currency sources. Thus, protection is provided against the possibility of depreciation of the Turkish Lira against other currencies. In order to protect against parity changes, the currency basket balance created by the specified currencies is used. Interest rate risk is reduced by creating an asset composition of the resources used in accordance with the fixed/variable cost structure. What are the currency hedging strategies arising from other foreign currency transactions: A balanced strategy is followed in terms of currency position; In order to hedge against parity risk, the current currency position is monitored according to a basket balance in certain currencies.

Exchange rate difference revenues and expenses arising from foreign currency transactions were recorded in the period in which the transaction was carried out. At the end of the period, the balances of foreign currency active and passive accounts are calculated at the end of the period.

The Parent Company Bank was converted into Turkish Lira by being subjected to an evaluation from the box office exchange rates and the resulting exchange rate differences were reflected in the records as foreign exchange profit or loss.

III. Explanations on associates and subsidiaries

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

IV. Explanations on forward and option contracts and derivative instruments

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

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

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

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

V. Explanations on associates and subsidiaries

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

VI. Explanations on interest income and expenses

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

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

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

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

VII. Explanations on fees and commission income and expenses

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets

Assessment of business model

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

The contractual cash flows including solely principle and interest on principle

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

Measurement categories of financial assets and liabilities

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

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

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

Financial assets whose fair value difference is reflected in profit/loss, financial assets managed by other models other than the business model aimed at retaining contractual cash flows to collect and the business model aimed at collecting and selling contractual cash flows, and the contractual terms of the financial asset do not lead to cash flows that include interest payments arising only from the principal and principal balance on certain dates; are financial assets that are acquired in order to profit from fluctuations in price and similar factors that occur in the market in the short term, or that are part of a portfolio intended to make a profit in the short term, regardless of the reason for which they are obtained.

At the first time of disbursement, the parent company Bank exercised the option of classifying some of its loans and issued securities as financial assets/liabilities irrevocably with fair value differences reflected in profit/loss in order to eliminate accounting discrepancies in accordance with IFRS 9.

Financial assets whose fair value difference is reflected in profit/loss are recorded with their fair values and are subject to valuation with their fair values following their registration. The gains and losses resulting from the valuation are included in the profit / loss calculations.

In line with the Uniform Chart of Accounts (CIP) statements, the positive difference between the cost of acquisition and the discounted value of the financial asset is in "Interest Income", if the fair value of the asset is above the discounted value, the positive difference is in the "Capital Market Operations Profits" account, and if the fair value is below the discounted value, the negative difference between the discounted value and the fair value is "Capital Market Operations Losses" account. In the event that the financial asset is disposed of before maturity, the gains or losses incurred are recognized within the same principles.

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Measurement categories of financial assets and liabilities (continued)

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

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

Later, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. on 23 September 2019, it was decided that a part of the loan would be converted into capital and added to the capital of LYY Telekomünikasyon A.Ş., and in this context, the nominal value of the Bank's shares in LYY Telekomünikasyon A.Ş. increased from TL 0.8 to TL 64.403. With the restructuring on 17 August 2022, the Bank's participation rate increased to 1,8403% and no fee was paid by the Bank for the increase.

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

55% of LYY Telekomünikasyon A.Ş. Türk Telekomünikasyon A.Ş. was authorized as an international investment bank sales consultant on September 19, 2019 for the purpose of selling its shares, and within this scope, necessary studies regarding the sale and meetings with potential investors were carried out.

As of March 31 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192.500.000.000 Group A shares representing 55% of its capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sales amount, a collection was made from the related loan in proportion to the Bank's share. However, a provision for impairment has been made for the entire acquired asset.

As of June 30, 2022, the risk related to LYY Telekomünikasyon A.Ş., which has been fully provisioned, has been transferred to the follow-up accounts, and the amount transferred to the follow-up accounts and its specific provisions have been written off from the asset in accounting terms (555.395 Thousand TL).

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Measurement categories of financial assets and liabilities (continued)

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

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

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

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

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

c. Financial Assets Measured at Amortized Cost:

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

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

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

d. Loans:

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

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

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

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

IX. Explanations on impairment of financial assets

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

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

Stage 1:

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Calculation of expected credit losses (continued)

Stage 2:

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

Stage 3:

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

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

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Parent Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.
2. Subjective Default Definition: It means the conviction that the debt will not be paid. If the borrower is deemed to be unable to perform its obligations on the loan, the borrower should be considered in default, regardless of whether there is a pending balance or the number of days of default.

Debt instruments measured at fair value through other comprehensive income

In accordance with TFRS 9, impairment provisions are applied for financial assets measured at fair value through other comprehensive income when recognizing and measuring expected loss provision. However, the carrying amount of the financial asset at fair value through other comprehensive income is not reduced in the statement of financial position. The expected loss provision is recognized in other comprehensive income and when the related financial asset is derecognised, the expected loss provision previously recognized in other comprehensive income is classified in the income statement.

Significant increase in credit risk

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

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

Quantitative assessments compare the relative change between the probability of default (PR) measured at the transaction date and the PD measured at the report date. In the event of a significant deterioration in PD, the credit risk is considered to have increased significantly and the financial asset is classified as Tier 2. In this context, the Parent Bank calculated threshold values to determine at what rate the relative change is a significant deterioration.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

Within the scope of qualitative assessments, if any of the following conditions are met, the related financial asset is classified as Stage 2.

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

Three scenarios are used in forward-looking expectations: base, bad and good. Final provisions are calculated by weighting over the probabilities given to the scenarios. As of December 31, 2022, within the scope of the ECL effects of COVID-19, the weight of the base scenario from 3 scenarios has been reduced and the weight of the worst and worst scenario has been increased. In addition, for the possible effects, the Bank has established additional provisions for the sectors and customers whose effects are considered to be high by making individual valuations for the risks that cannot be captured through the models in the expected credit loss calculation.

This approach, which is preferred in provision calculations, will be reviewed in the following reporting periods by considering the effect of the pandemic, portfolio and future expectations.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

a. Offsetting of financial instruments

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

b. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

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

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

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

Derecognition of financial assets without any change in contractual terms

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

Derecognition of financial liabilities

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

c. Reclassification of financial instruments

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

The Parent Bank's financial assets reclassification details are presented in Section 3, Note VIII.

d. Restructuring and refinancing of financial instruments

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

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

The repurchase agreements of the Group are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs with parallel to classifications of financial instruments.

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

XII. Explanations on assets held for sale and discontinued operations

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

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

As of March 31, 2022, LYY Telekomünikasyon A.Ş. owned by Türk Telekomünikasyon A.Ş. 192.500.000.000 Group A registered shares representing 55% of its capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sales amount, a collection was made from the related loan in proportion to the Bank's share. However, a provision for impairment has been made for the entire acquired asset.

As of June 30, 2022, the risk related to LYY Telekomünikasyon A.Ş., which has been fully provisioned, has been transferred to the follow-up accounts, and the amount transferred to the follow-up accounts and its specific provisions have been written off from the asset in accounting terms (555.395 Thousand TL).

A discontinued operation is a division of a bank that is either disposed of or classified as held for sale. Results of discontinued operations are presented separately in the income statement.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on goodwill and other intangible assets

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

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

XIV. Explanations on tangible assets

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

Since the third quarter of 2015, the Group has changed its accounting policy and adopted the revaluation method within the scope of IAS 16 in the valuation of buildings and land. The redemption period of the properties is specified in the appraisal report. In the event that the cost price is above the "Net realizable value" of the relevant tangible asset estimated within the framework of the "Turkish Accounting Standard for Impairment from Assets" ("TAS 36"), the value of the asset in question is reduced to the "Net realizable value" and is associated with the expense accounts for the allocated impairment. The positive difference between the real estate values in the appraisal report prepared by the companies authorized in the field of independent valuation and the net book value of the related properties is followed in the equity accounts. In the valuation of immovables, cost method approach, precedent comparison and income reduction methods were taken into consideration to the extent of their applicability to real estate. Normal maintenance and repair expenses on tangible assets are recognized as expenses. There are no pledges, mortgages and similar takyidat on tangible assets. Tangible assets are depreciated by applying the linear depreciation method and their useful lives are determined according to the IAS.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Disclosures on Tangible Assets (continued)

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

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

Investment Properties

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

XV. Explanations on leasing transactions

TFRS 16 Leases

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

Right-of-use assets

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on leasing transactions (continued)

TFRS 16 Leases (continued)

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

Lease Liabilities

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

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

- a) Fixed payments,
- b) Variable rental payments based on an index or rate, the initial measurement of which is made using an index or rate on the date the lease actually begins,
- c) Amounts expected to be paid by the Parent Bank under residual value commitments
- d) If the parent company is reasonably confident that the Bank will exercise the purchase option, the exercise price of this option and
- e) Penalty payments for termination of the lease if the lease term shows that the Parent Bank will exercise an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period when the event or condition that triggers the payment occurs. The Parent Bank uses the revised discount rate for the remainder of the lease term, as this rate if the implied interest rate in the lease can be easily determined; If it cannot be determined easily, the Parent Bank determines it as the alternative borrowing interest rate at the date of reassessment.

After the lease actually commenced, the Parent Bank measures the lease liability as follows:

- (a) Increase the carrying amount to reflect the interest on the lease liability, and
- (b) Decreases book value to reflect lease payments made.

In addition, if there is a change in the lease term, a change in the underlying fixed lease payments, or a change in the assessment of the option to purchase the underlying asset, the value of the finance lease liabilities is remeasured.

On June 5, 2020, POA made changes to TFRS 16 "Leases" by publishing Concessions Granted in Rent Payments Related to COVID-19 - "Amendments to TFRS 16 Leases". Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021-"Amendments to TFRS 16" was published in the Official Gazette dated 7 April 2021 and numbered 31447. With this change, tenants are exempted from evaluating whether the concessions granted due to COVID-19 in rent payments have been changed or not. The said change did not have a significant impact on the financial position or performance of the Bank. However, due to the high level of the epidemic, on 7 April 2021, POA decided to extend the exemption to include the privileges that caused a decrease in lease payments due on or before 30 June 2022. The change in question did not have a significant impact on the Bank's financial position or performance.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on leasing transactions (continued)

TFRS 16 Leases (continued)

Short-term leases and leases of low-value assets

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

The Group as Lessor

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

The Group as Lessee

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

XVII. Explanations on liabilities regarding employee benefits

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

The main shareholder Bank employees are members of the Industrial Development Bank of Turkey Joint Stock Company Civil Servants and Contractors Relief and Pensions Foundation and the Industrial Development Bank of Turkey A.Ş. Members Munzam Social Security and Solidarity Foundation ("Funds"). The technical financial statements of the said Funds are audited by an actuary registered in the registry of actuaries in accordance with the provisions of the Insurance Law and the "Regulation on Actuaries" issued pursuant to this law.

The first paragraph of the provisional Article 23 of the Banking Law No. 5411 ("Banking Law") published in the Official Gazette dated November 1, 2005 and numbered 25983 contains the provision that bank funds shall be transferred to the Social Insurance Institution within 3 years from the date of publication of the Banking Law. According to the Banking Law; A commission consisting of representatives from various organizations shall calculate the liability according to actuarial calculations, taking into account the income and expenses of the fund, on the basis of the circuit for each ballot box. The specified obligation shall be paid in equal annual installments for not more than 15 years. However, the said article of the Banking Law was annulled by the Constitutional Court's decision dated March 22, 2007, E. 2005/39, K. 2007/33 published in the Official Gazette dated March 31, 2007 and numbered 26479, and its validity was suspended as of the date of publication of the decision, and the reasoned decision on the cancellation of the relevant paragraph was published in the Official Gazette dated December 15, 2007 and numbered 26731.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on liabilities regarding employee benefits (continued)

Following the publication of the Constitutional Court's reasoned decision on the annulment, the relevant articles of the Social Security Law No. 5754 regulating the principles regarding the transfer of the Principal Bank fund participants to the Social Security Institution were adopted by the TGNA on April 17, 2008 and entered into force by being published in the Official Gazette dated May 8, 2008 and numbered 26870.

The Social Security Law provides that the cash value of the liability in relation to the transferred persons as of the date of transfer; that the technical interest rate to be used in the actuarial account shall be 9,80% shall be determined by a commission consisting of representatives of the Social Security Institution, the Ministry of Finance, the Undersecretariat of the Treasury, the Undersecretariat of the State Planning Organization, the BRSA, the SDIF, the Bank and the Funds, if the income and expenses of the funds in respect of the insurance branches covered by the Social Security Law and the monthly and revenues paid by the funds are above the monthly and revenues within the framework of the regulations of the Social Security Institution. It stipulates that it will be calculated taking into account the differences and that the transfer will be completed within a period of 3 years starting from January 1, 2008.

Within the scope of the Provisional Article 20 of Article 73 of the Social Security Law No. 5754 dated April 17, 2008 ("Law") published in the Official Gazette dated May 8, 2008 and numbered 26870; It is envisaged that the ballot boxes will be transferred to the SSI within three years following the publication of the law. With the amendment in the first paragraph of the Provisional Article 20 of the Social Insurance and General Health Insurance Law No. 5510 published in the Official Gazette dated March 8, 2012 and numbered 28227, the 2-year postponement authority granted to the Council of Ministers was extended to 4 years. With the decision of the Council of Ministers published in the Official Gazette dated April 9, 2011 and numbered 27900, it was decided to extend the transfer process for 2 years. Accordingly, the transfer had to be completed by 8 May 2013. This time, with the Decision of the Council of Ministers No. 2013/467 published in the Official Gazette dated May 3, 2013 and numbered 28636, this period is extended for another 1 year and the transfer must be completed by May 8, 2014. However, since the transfer procedures did not take place, it was decided to extend the period for the transfer for another year with the Decision of the Council of Ministers published in the Official Gazette No. 28987 dated April 30, 2014. In accordance with the provision of the Law on Occupational Health and Safety dated April 4, 2015 and numbered 6645, which was published in the Official Gazette dated April 23, 2015 and numbered 29335 and entered into force, and the Law on the Amendment of Some Laws and Decree Laws, the Council of Ministers was authorized to determine the transfer date to the Social Security Institution and the transfer of the ballot boxes was postponed to an unknown date. As of the date of the announcement of the financial statements, there is no decision taken by the Council of Ministers on this issue. In accordance with the Social Security Law, after the transfer of the monthly and/or income to the participants of the ballot boxes and their beneficiaries to the Social Security Institution, the other social rights and payments of these persons that are not covered despite being included in the foundation deed to which they are subject will continue to be covered by the organizations employing the participants of the chests and the polling stations.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on liabilities regarding employee benefits (continued)

As of December 31, 2022, the cash value of the principal obligations of the parent company Bank for the Assistance and Pension of Civil Servants and Contractors of TSKB A.Ş. Civil Servants and Contractors Assistance and Pension Foundation was calculated by an independent actuary using the actuarial assumptions specified in the Law and according to the actuary's report dated January 24, 2023, no technical or actual deficit requiring provision as of December 31, 2022 was identified. In addition, the management of the Parent Bank foresees that the amount of the possible liability that may arise during and after the transfer to be made within the framework specified above will be at a level that can be met by the assets of the Fund and will not impose any additional burden on the Parent Bank.

XVIII. Explanations on taxation

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

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit is calculated taking into account items of income or expense that are taxable or deductible, and items that are not taxable or deductible. Taxable profit therefore differs from the profit reported in the income statement. The tax liability for the current year is calculated on the taxable part of the profit for the period. Taxable profit is calculated by taking into account the items of income or expenses that can be taxed or deducted from the tax base, and the items that cannot be taxed or deducted from the tax base. Taxable profit therefore differs from the profit stated on the income statement. With the Law No. 7394 on the Assessment of Immovable Properties Belonging to the Treasury and the Amendment of the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810 and entered into force, and the Article 26 of the Law on the Amendment of Some Laws and Decree Laws and the paragraph added to the provisional Article 13 of the Corporate Tax Law No. 5520, the Corporate Tax rate is 25% for corporate earnings for the taxation period of 2022. Apply. This change will apply to the taxation of corporate earnings for periods beginning January 1, 2022, starting with returns due from July 01, 2022. Due to the fact that the tax rate change entered into force as of April 15, 2022, the financial statements dated December 31, 2022 used 25% as the tax rate in the period tax calculations (December 31, 2021: 25%).

Within the scope of Article 298 of the Tax Procedure Code, it is stipulated that if the increase in the producer price index is more than 100% in the last 3 accounting periods including the current period and more than 10% in the current accounting period, the financial statements will be subject to inflation adjustment and these conditions have been fulfilled as of December 31, 2022. However, the Law No. 7352 "On the Amendment of the Tax Procedure Law and the Corporate Tax Law" published in the Official Gazette dated January 29, 2022 and numbered 31734 and the provisional Article 33 were added to the Tax Procedure Law No. 213 and the accounting periods of 2021 and 2022, including the temporary tax periods (as of the accounting periods ending in 2022 and 2023 for those who were assigned special accounting periods) and the 2023 accounting period within the scope of Article 298. It has been enacted that the financial statements will not be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have occurred or not, and that the financial statements dated December 31, 2023 will be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have occurred or not, and that the profit/loss differences arising from the inflation adjustment will be shown in the profit/loss account of previous years.

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

Stages 1 and 2 Deferred tax is recorded for stage expected loss provisions.

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XVIII. Explanations on taxation (continued)

No deferred tax liability or asset is calculated for interim timing differences arising from the first entry of assets or liabilities other than goodwill or business combinations into the financial statements and which do not affect both business and financial profit or loss.

The recorded value of the deferred tax asset is reviewed as of each balance sheet date. To the extent that it is unlikely to generate a financial profit at a level that would allow the benefit of some or all of the deferred tax asset to be obtained, the recorded value of the deferred tax asset shall be reduced. Deferred tax is calculated on the tax rates in effect at the time the assets are formed or liabilities are fulfilled and is recorded on the income statement as an expense or income. However, if the deferred tax relates to assets that are directly associated with equity in the same or a different period, it is directly associated with the equity account group.

In accordance with the Provisional Article 13 added to the Corporate Tax Law Numbered 5520 with the Law Numbered 7316, the 20% rate foreseen in the calculation of the corporate tax for the corporate earnings of the 2021 taxation period is determined as 25% (starting from the declarations to be submitted as of July 1, 2021 and to be valid for the corporate earnings for the taxation period starting from January 1, 2021), and as 23% for the corporate earnings for the 2022 taxation period. On the other hand, in accordance with the amendment made in Article 32 of the Corporate Tax Law with the Law No. 7394 published in the Official Gazette dated 15.04.2022 and numbered 31810, the corporate tax rate should start from the declarations that must be submitted as of 01.07.2022 and taxation starting from 01.01.2022. It has been determined as 25% to be valid for the corporate earnings of the period. The Bank has calculated deferred tax by using 25% rate (December 31, 2021: 20%, 23%, and 25% rates are used).

Deferred tax receivables and liability are netted off.

Pursuant to Article 53 of the Banking Law No. 5411 dated October 19, 2005, all special provisions allocated in relation to loans and other receivables are taken into account as expenses in determining the corporate tax base in the year in which they are allocated pursuant to paragraph 2 of the same article.

Transfer pricing

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

XIX. Additional explanations on borrowings

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XX. Explanations on share certificates issued

In the meeting of the General Assembly held on 29 March 2022 it has been resolved that the Parent Bank has no capital increase.

XXI. Explanations on acceptances

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

XXII. Explanations on government incentives

The Parent Bank does not use government incentives.

XXIII. Explanations on segment reporting

In accordance with its mission, the main shareholder Bank operates mainly in the fields of corporate banking and investment banking. Corporate banking provides financial solutions and banking services to medium and large corporate clients. Services offered to corporate customers include foreign trade transactions services covering investment loans, project finance, business loans on TL and foreign currency basis, letters of credit and letters of guarantee, and externally guaranteed letters of guarantee.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on segment reporting (continued)

Investment banking operating income includes revenues from Treasury transactions and Corporate Finance activities. Within the scope of investment banking activities, in addition to the fund management of the Parent Bank, all kinds of corporate finance services are offered to corporate customers along with Securities brokerage transactions, cash management and derivative transactions.

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	2.806.614	3.928.707	135.260	6.870.581
Net Fees and Commission Income	52.564	102.533	186.423	341.520
Other Income	-	800.919	1.204.580	2.005.499
Other Expense	(2.678.279)	(117.221)	(1.195.859)	(3.991.359)
Profit Before Tax	180.899	4.714.938	330.404	5.226.241
Tax Provision	-	-	-	(1.120.502)
Net Profit				4.105.739
Group's profit / loss				3.980.412
Minority share profit / loss				125.327
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	74.787.609	35.296.220	5.986.483	116.070.312
Investment in Associates and Subsidiaries	-	-	1.551.348	1.551.348
Total Assets	74.787.609	35.296.220	7.537.831	117.621.660
Segment Liabilities	93.477.043	3.656.787	7.495.374	104.629.204
Shareholders' Equity	-	-	12.992.456	12.992.456
Total Liabilities	93.477.043	3.656.787	20.487.830	117.621.660

Prior Period(*)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	1.574.629	1.288.706	34.924	2.898.259
Net Fees and Commission Income	28.878	40.187	86.440	155.505
Other Income	-	508.631	501.908	1.010.539
Other Expense	(2.036.270)	(36.608)	(503.224)	(2.576.102)
Profit Before Tax	(432.763)	1.800.916	120.048	1.488.201
Tax Provision	-	-	-	(390.892)
Net Profit				1.097.309
Group's profit / loss				1.081.109
Minority share profit / loss				16.200
Prior Period(**)	Corporate Banking	Investment Banking	Other	Total
Segment Assets	61.059.338	20.057.449	4.160.245	85.277.032
Investment in Associates and Subsidiaries	-	-	815.503	815.503
Total Assets	61.059.338	20.057.449	4.975.748	86.092.535
Segment Liabilities	72.199.242	1.776.620	5.094.907	79.070.769
Shareholders' Equity	-	-	7.021.766	7.021.766
Total Liabilities	72.199.242	1.776.620	12.116.673	86.092.535

XXIV. Explanations of other matters

None.

SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to consolidated shareholders' equity

The amount of equity and the standard ratio of capital adequacy were calculated within the framework of the "Regulation on the Equity of Banks" and the "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks", as well as in accordance with the BRSA's regulations dated 23 March 2020 and numbered 3397. The Group's standard ratio of capital adequacy calculated as of December 31, 2022 is 22,40% (December 31, 2021: 20,80%).

Until a Board Decision to the contrary of the implementation is taken by the BRSA decision dated December 21, 2021 and numbered 9996, as of January 01, 2022, in the calculation of the amount based on credit risk in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy; the application to use the simple arithmetic average of the Central Bank's exchange rates for the last 252 business days as of December 31, 2021 when calculating the amounts of monetary assets and non-monetary assets, other than items in foreign currency measured in terms of historical cost, valued in accordance with Turkish Accounting Standards and related special reserve amounts; Until a Board Decision to the contrary is taken, it is possible to continue by using the Central Bank exchange rate of 31 December 2021.

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

	Consolidated	Consolidated
CORE EQUITY TIER I CAPITAL	Current Period	Prior Period
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.800.374
Share premiums	1.007	1.012
Reserves	3.702.923	2.609.620
Other comprehensive income according to TAS	2.734.347	878.164
Profit	3.945.723	1.058.956
Current Period Profit	3.980.412	1.081.109
Prior Period Profit	(34.689)	(22.153)
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	218.483	89.111
Core Equity Tier I Capital Before Deductions	13.402.857	7.437.237
Deductions from Core Equity Tier I Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	242.520	88.769
Leasehold improvements on operational leases	4.952	2.728
Goodwill (net of related tax liability)	1.005	1.005
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.273	3.509
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	262.115	91.446
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

The amount of overage resulting from net long positions of investments in the core capital elements of banks and financial institutions in which more than 10% of the shareholding is owned and not consolidated	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier I Capital	513.865	187.457
Core Equity Tier I Capital	12.888.992	7.249.780
ADDITIONAL TIER I CAPITAL		
Preferred stock not included in core equity and related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	3.721.300	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	3.721.300	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier I capital	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	3.721.300	-
Total Tier I Capital (Tier I Capital+Core Equity Tier I Capital+Additional Tier I Capital)	16.610.292	7.249.780
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	-	3.932.850
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	874.682	654.352
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
Tier II Capital Before Deductions	874.682	4.587.202
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	874.682	4.587.202
Total Tier II Capital	17.484.974	11.836.982
Total Capital (The sum of Tier I Capital and Tier II Capital)	17.484.974	11.836.982
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not be deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	17.484.974	11.836.982
Total Risk Weighted Assets	78.041.838	56.920.346
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	16,52	12,74
Consolidated Tier I Capital Adequacy Ratio (%)	21,28	12,74
Consolidated Capital Adequacy Ratio (%)	22,40	20,80
BUFFERS		
Total buffer requirement (a+b+c)	2.512	2.510
(a) Capital conservation buffer requirement (%)	2.500	2.500
(b) Bank specific counter-cyclical buffer requirement (%)	0,012	0,010
(c) Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	12,02	6,74
Amounts below the Excess Limits as per the Deduction Principles		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	1.293.262	725.211
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	3.429.351	2.056.896
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	874.682	654.352
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Information on debt instruments to be included in the equity calculation

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk

The sectoral distributions of the loans are reported to the Board of Directors on a monthly basis and limitations are made according to the conjuncture. No geographical restrictions apply. Monitoring and controls are carried out regarding the transactions made for Treasury purposes. Risk limits have been determined in relation to the transactions carried out.

The credit worthiness of loan customers is monitored by the Credit Allocation Department and is regularly reviewed every six months. The credit worthiness of borrowers is monitored at regular intervals in accordance with the relevant legislation. Account status documents are obtained as stipulated in the relevant legislation. Credit limits are determined by the Board of Directors, the bank credit committee and the credit management. The parent company Bank receives sufficient collateral for its loans and other receivables. The guarantees received consist of personal bail, real estate mortgage, cash blockage and customer checks.

Limits have also been set for transactions with banks. Credit risks are managed within the framework of the counterparty's credit worthiness and limits.

Definitions of delinquent and depreciated loans, as well as explanations of value adjustments and provisions, are given in footnote X of Chapter Four.

The total amount of risks incurred after offset transactions, regardless of the effects of credit risk reduction, and the average amount of risks disaggregated according to different risk classes and types for the relevant period

	Current Period		Prior Period	
	Risk Amount (1)	Average Risk Amount (2)	Risk Amount (1)	Average Risk Amount (2)
Exposures to sovereigns and their central banks	22.007.657	18.974.207	12.185.813	9.834.168
Exposures to regional and local governments	-	1.500	3.000	3.000
Exposures to administrative bodies and noncommercial entities	11.516	34.162	1.742	12.628
Exposures to multilateral development banks	65.251	75.617	82.218	63.322
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	12.398.679	9.922.947	5.413.109	4.997.627
Exposures to corporates	118.838.566	107.587.790	85.914.217	77.416.013
Retail exposures	-	-	-	-
Exposures secured by property	792.218	1.088.746	1.295.263	1.411.219
Past due receivables	186.913	587.226	741.674	796.518
Exposures in higher-risk categories	701.943	891.533	1.350.011	1.442.379
Exposures in the form of bonds secured	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	577.716	139.719	73.685	32.953
Equity investments	1.711.733	1.305.076	1.010.704	887.499
Other exposures	3.379.315	2.812.012	1.840.229	1.697.401

(1) Includes total risk amounts before the effect of credit risk mitigation.

(2) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

The share of the Group's risks from the top 100 and 200 cash loan customers in the total cash loans portfolio is as follows; 78,28% and 94,84% (December 31, 2021: 76,58% and 94,47%).

The share of the Group's risks from the top 100 and 200 non-cash loan customers in the total non-cash loans portfolio is as follows; 87,60% and 87,60% (December 31, 2021: 93,64% and 93,66%).

The share of the amount of cash and non-cash risk from the first 100 and 200 credit customers of the Group in the total balance sheet and in the regular accounts, respectively; 78,41% and 94,66% (December 31, 2021: 75,87% and 93,73%).

For the credit risk assumed by the Group, the expected loss provision for stage 1 and phase 2, measured in accordance with the IFRS 9 projected loss model, is TL 3.435.480 (December 31, 2021: TL 2.072.042).

Credit risk is assessed according to the Parent Bank's internal rating model. While the rating of the customers outside the financial sector in the loan portfolio is made with the internal rating model, the ratings of the customers included in the financial sector are matched to the internal ratings of the Parent Bank given by the external rating agencies.

Information on credit amounts rated by internal rating model is given table below for the current period.

Loan Quality Categories	Current Period	Prior Period
Above Average Grade	29.149.736	17.878.017
Average Grade	42.703.957	37.184.769
Below Average Grade	13.023.518	13.639.443
Impaired	2.322.108	2.085.959
Total (1)	87.199.319	70.788.188

(1) Loans belong to the financial subsidiaries subject to line-by-line consolidation method are considered as unrated.

The Group's total risk of cash loans, non-cash loans and financial leasing receivables (including non-performing loans, excluding expected loss provisions) amounted to TL 88.616.130 (December 31, 2021: 73.012.992) as of the balance sheet date, and the customers constituting TL 1.416.811 (December 31, 2021: 2.224.804) of this amount were not rated.

In cases where financial institutions do not have their own external ratings, the credit quality of the bank, which is the main shareholder of the financial institution, is evaluated as an average, taking into account the external rating of the bank.

The aging analysis of the Parent Bank's closely monitored loans with 31 days or more of default days but not impaired is as follows:

	Current Period (1)				Prior Period			
	31- 60 Days	61- 90 Days	Other	Total	31- 60 Days	61- 90 Days	Other	Total
Corporate Loans	-	-	-	-	241	254	-	495
SME Loans	-	-	-	-	41.379	-	-	41.379
Consumer Loans	-	-	-	-	-	-	-	-
Total	-	-	-	-	41.620	254	-	41.874

(1) Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 301.772 (December 31, 2021: 301.772 TL).

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Profile of significant exposures in major region

	Risk Types (1)																
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Current Period																	
Domestic	22.017.973	-	2.303	-	-	8.452.286	61.497.126	-	792.218	186.913	84.846	-	-	577.716	118.332	2.516.611	96.246.324
European Union (EU) Countries	-	-	-	44.991	-	193.793	-	-	-	-	-	-	-	-	309.796	105.607	654.187
OECD Countries (2)	-	-	-	-	-	3.422	-	-	-	-	-	-	-	-	-	-	3.422
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	599.131	-	-	-	-	-	-	-	-	-	-	599.131
Other Countries	-	-	-	20.260	-	26.152	232.459	-	-	-	-	-	-	-	-	-	278.871
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.283.605	-	1.283.605
Unallocated Assets/Liabilities (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	22.017.973	-	2.303	65.251	-	9.274.784	61.729.585	-	792.218	186.913	84.846	-	-	577.716	1.711.733	2.622.218	99.065.540

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

(2) Includes OECD countries other than EU countries, USA and Canada.

(3) Includes asset and liability items that cannot be allocated on a consistent basis.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Profile of significant exposures in major region (continued)

Prior Period	Risk Types (1)																Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	
Domestic	12.050.221	600	348	-	-	3.391.751	46.347.719	-	1.295.263	741.674	107.604	-	-	73.685	148.420	1.116.449	65.273.734
European Union (EU)	-	-	-	45.334	-	690.754	-	-	-	-	-	-	-	-	140.064	97.667	973.819
OECD Countries (2)	-	-	-	-	-	2.445	-	-	-	-	-	-	-	-	-	-	2.445
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	390.924	-	-	-	-	-	-	-	-	-	-	390.924
Other Countries	-	-	-	36.884	-	23.555	169.344	-	-	-	-	-	-	-	-	-	229.783
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	722.220	-	722.220
Unallocated Assets/Liabilities (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	12.050.221	600	348	82.218	-	4.499.429	46.517.063	-	1.295.263	741.674	107.604	-	-	73.685	1.010.704	1.214.116	67.592.925

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

(2) Includes OECD countries other than EU countries, USA and Canada.

(3) Includes asset and liability items that cannot be allocated on a consistent basis.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

	Risk Types (1)															TL	FC	Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures		
Current Period																		
Agriculture	-	-	-	-	-	-	32.986	-	-	2.793	16	-	-	-	-	340	9.584	36.135
Farming and Stockbreeding	-	-	-	-	-	-	32.986	-	-	2.793	16	-	-	-	-	-	9.244	35.795
Forestry	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	340	-	340
Fishery	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	44.378.426	-	268.266	131.889	84.816	-	-	-	-	-	4.765.076	44.863.397
Mining and Quarrying	-	-	-	-	-	-	1.220.451	-	-	-	-	-	-	-	-	-	147	1.220.304
Production	-	-	-	-	-	-	16.366.559	-	214.923	5.938	13	-	-	-	-	-	3.328.615	16.587.433
Electricity, Gas and Water	-	-	-	-	-	-	26.791.416	-	53.343	125.951	84.803	-	-	-	-	-	1.436.314	27.055.513
Construction	-	-	-	-	-	231	2.102.411	-	138.940	1.782	14	-	-	-	-	-	275.766	2.243.378
Services	2.485.656	-	-	35.595	-	9.223.122	14.528.782	-	385.012	50.449	-	-	-	577.716	1.711.733	323.744	10.529.302	29.321.809
Wholesale and Retail Trade	-	-	-	-	-	-	726.955	-	3.658	16.046	-	-	-	-	-	23	254.594	746.682
Accommodation and Dining	-	-	-	-	-	-	1.292.431	-	241.441	0	-	-	-	-	5.628	-	215.919	1.539.500
Transportation and Telecommunication	-	-	-	-	-	-	4.588.788	-	139.913	34.403	-	-	-	-	2.137	-	43.849	4.721.392
Financial Institutions	2.485.656	-	-	35.595	-	9.223.122	4.632.576	-	-	-	-	-	-	577.716	1.680.381	323.721	9.748.058	18.958.770
Real Estate and Rental Services	-	-	-	-	-	-	57.003	-	-	-	-	-	-	-	-	-	44.236	57.003
Professional Services	-	-	-	-	-	-	316.205	-	-	-	-	-	-	-	23.584	-	27.088	339.789
Educational Services	-	-	-	-	-	-	382.110	-	-	-	-	-	-	-	-	-	195.558	382.110
Health and Social Services	-	-	-	-	-	-	2.532.714	-	-	-	-	-	-	-	-	-	-	2.532.714
Others	19.532.317	-	2.303	29.656	-	51.431	686.980	-	-	-	-	-	-	-	-	2.298.134	12.680.993	22.600.821
Total	22.017.973	-	2.303	65.251	-	9.274.784	61.729.585	-	792.218	186.913	84.846	-	-	577.716	1.711.733	2.622.218	28.260.721	99.065.540

(1) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table. Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its SubsidiariesNOTES TO THE CONSOLIDATED FINANCIAL
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SECTION FOUR (Continued)**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

II. Explanations related to consolidated credit risk (continued)

Risk profile by sectors or counterparties (continued)

[illegible]

(1) Since there is no securitization position, the risk class of "Securitization positions" is not included. Credit conversion ratio and risk amounts after credit risk reduction are included.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Current Period (1)					
Exposures to sovereigns and their central banks	2.145.951	3.092.235	185.842	1.400.945	14.464.546
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	2.303	-	-	-	-
Exposures to multilateral development banks	-	-	30.841	4.754	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	6.686.430	828.557	801.851	-	906.468
Exposures to corporates	2.267.819	2.224.752	2.025.477	5.199.223	49.257.776
Retail exposures	-	-	-	-	-
Exposures secured by property	5.579	-	11.138	30.320	745.181
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	82.856
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	93	-	-	-	24.530
Total	11.108.175	6.145.544	3.055.149	6.635.242	65.481.357

(1) Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities (continued)

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Prior Period (1)					
Exposures to sovereigns and their central banks	1.413.937	1.423.188	500.530	778.132	6.623.336
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	348	-	-	-	-
Exposures to multilateral development banks	16.165	38.427	-	-	9.686
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	3.010.312	467.253	340.527	10.344	632.472
Exposures to corporates	2.864.192	2.282.091	1.721.964	3.886.378	35.179.670
Retail exposures	-	-	-	-	-
Exposures secured by property	-	-	6.349	44.573	1.244.341
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	500	104.762
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	97.776	-	-	-	35.675
Total	7.402.730	4.210.959	2.569.370	4.719.927	43.829.942

(1) Includes risk amounts after the effect of credit risk mitigation and the credit conversion.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Disclosures on credit risk (continued)

In determining the risk weights of the risk classes specified in Article 6 of the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, the international ratings of Fitch Ratings International Rating and JCR Avrasya Derecelendirme A.Ş. are used.

The ratings given by Fitch Ratings are used for receivables from banks and intermediary institutions whose counterparty is a resident of abroad and for receivables from central governments and central banks in the risk classes. The ratings given by JCR Avrasya Derecelendirme A.Ş. are used for receivables from banks and intermediary institutions whose counterparties are resident domestically and corporate receivables are included in the risk classes and for receivables that are denominated in TL. Other receivables from domestic residents who are not included in this scope are considered as ungraded. Credit ratings for these risk classes are not used for other assets from the borrower.

The table on matching the ratings used in the calculations to the credit quality grades is given below:

Credit Quality Level	1	2	3	4	5	6
Grade	AAA with AA-	A+ with A-	BBB+ with BBB-	BB+ with BB-	B+ with B-	CCC+ and below

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Exposures by risk weights

Current Period											
Risk Weight	0%	10%	20%	25%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Amount Before Credit Risk Mitigation (1)	22.072.909	-	8.631.917	-	7.738.219	0	59.489.464	84.039	378.942	1.293.261	271.345
Amount After Credit Risk Reduction	22.083.225	-	8.631.917	-	8.530.518	0	58.063.637	84.039	378.942	1.293.261	271.345

(1) Risk amounts are given before the effects of Credit Risk Mitigation and after the conversion rate to credit.

Prior Period											
Risk Weight	0%	10%	20%	25%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Amount Before Credit Risk Mitigation (1)	12.188.368	-	3.882.741	-	5.936.009	-	45.192.666	106.112	-	725.211	98.688
Amount After Credit Risk Reduction	12.230.131	-	3.882.741	-	7.232.346	-	43.416.384	106.112	-	725.211	98.688

(1) Risk amounts are given before the effects of Credit Risk Mitigation and after the conversion rate to credit.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Information of major sectors or type of counterparties

The Parent Bank's all impaired and non-performing receivables comprise of domestic receivables.

Current Period	Loans (1)		Provisions
Major Sectors / Counterparties	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.935	25.141
Farming and Stockbreeding	-	27.935	25.141
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	3.551.781	1.920.957	2.856.972
Mining and Quarrying	-	-	-
Production	759.144	35.173	175.599
Electricity, Gas and Water	2.792.637	1.885.784	2.681.373
Services	5.218.021	296.576	1.608.726
Wholesale and Retail Trade	581.898	81.354	223.108
Accommodation and Dining	-	-	-
Transportation and Telecommunication	3.009.146	202.372	1.161.263
Financial Institutions	-	7.036	7.035
Real Estate, Rental and Management Services	-	5.814	5.814
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	1.626.977	-	211.506
Others	1.083.722	88.509	307.871
Total	9.853.524	2.333.977	4.798.710

(1) Includes breakdown of cash loans and financial lease receivables

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Information of major sectors or type of counterparties (continued)

Prior Period	Loans (1)		Provisions
Major Sectors / Counterparties	Impaired		Expected Credit Losses (TFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	-	27.900	25.110
Farming and Stockbreeding	-	27.900	25.110
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	2.522.173	1.646.607	1.442.592
Mining and Quarrying	-	197	197
Production	577.799	29.406	108.402
Electricity, Gas and Water	1.944.374	1.617.004	1.333.993
Services	4.279.784	346.748	871.610
Wholesale and Retail Trade	608.499	124.710	220.086
Accommodation and Dining	-	-	-
Transportation and Telecommunication	2.486.858	211.379	476.229
Financial Institutions	-	4.845	4.845
Real Estate, Rental and Management Services	-	5.814	5.814
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	1.184.427	-	164.636
Others	902.035	60.264	222.525
Total	7.703.992	2.081.519	2.561.837

(1) Includes breakdown of cash loans.

Information related with value adjustments and loan loss provisions

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	1.125.058	1.106.864	(84.860)	-	2.147.062
Stage 1-2 Provisions	2.072.127	1.383.262	(19.909)	-	3.435.480

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Stage 3 Provisions	756.354	414.611	(45.907)	-	1.125.058
Stage 1-2 Provisions	1.046.687	1.045.996	(20.641)	-	2.072.042

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Exposures Subject to Countercyclical Capital Buffer

The geographical distribution of receivables from the private sector is taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated November 5, 2013 and sub-arrangements is given table below.

Information about receivables from consolidated private sector:

Current Period Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	287.789	-	287.789
Georgia	232.459	-	232.459
England	4.237	-	4.237
Luxembourg	415.403	-	415.403
Turkey	65.358.245	-	65.358.245
Total	66.298.133	-	66.298.133

Prior Period Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	225.797	-	225.797
Georgia	169.343	-	169.343
England	24.842	-	24.842
Luxembourg	140.064	-	140.064
Turkey	49.195.631	-	49.195.631
Total	49.755.677	-	49.755.677

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated currency risk

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

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

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

	1 US Dollar	1 Euro
The Parent Bank's "Foreign Exchange Valuation Rate"		
December 31, 2022	18,6065	19,8215
Prior Five Workdays:		
December 30, 2022	18,6065	19,8215
December 29, 2022	18,6220	19,7784
December 28, 2022	18,5770	19,7715
December 27, 2022	18,5650	19,7773
December 26, 2022	18,5500	19,7112

The basic arithmetic average values of the Parent Bank for the last thirty days from the date of the financial statement of the current exchange rate in US Dollars and Euros are 18,5540 and 19,6391 in full TL, respectively.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

Current Period	Euro	US Dollar	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	1.038.568	1.740.413	-	2.778.981
Banks	465.244	1.020.000	7.572	1.492.816
Financial Assets at Fair Value Through Profit or Loss (1)	254.707	629.604	2.447	886.758
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	1.243.824	6.066.444	-	7.310.268
Loans (2)	28.551.467	44.008.765	-	72.560.232
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	515.934	6.114.434	-	6.630.368
Derivative Financial Assets for Hedging Purposes (5)	-	138.162	-	138.162
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	5.757	83.184	68	89.009
Total Assets	32.075.501	59.801.006	10.087	91.886.594
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	575.557	681.002	-	1.256.559
Funds Provided From Other Financial Institutions	22.905.296	51.737.916	-	74.643.212
Marketable Securities Issued	-	21.047.752	-	21.047.752
Miscellaneous Payables	471.396	1.529.500	2.125	2.003.021
Derivative Financial Liabilities for Hedging Purposes (4)	-	134.010	-	134.010
Other Liabilities (5)	640.803	772.067	2.279	1.415.149
Total Liabilities	24.593.052	75.902.247	4.404	100.499.703
Net Balance Sheet Position	7.482.449	(16.101.241)	5.683	(8.613.109)
Net Off-Balance Sheet Position	(6.036.513)	17.593.190	197	11.556.874
Financial Derivative Assets	2.989.436	20.477.232	133.704	23.600.372
Financial Derivative Liabilities	(9.025.949)	(2.884.042)	(133.507)	(12.043.498)
Non-Cash Loans (6)	3.145.030	2.672.285	-	5.817.315
Prior Period				
Total Assets	28.645.822	42.478.232	7.596	71.131.650
Total Liabilities	20.736.285	54.578.105	2.383	75.316.773
Net Balance Sheet Position	7.909.537	(12.099.873)	5.213	(4.185.123)
Net Off-Balance Sheet Position	(7.223.999)	12.891.458	(3.795)	5.663.664
Financial Derivative Assets	1.650.353	16.216.394	198.105	18.064.852
Financial Derivative Liabilities	(8.874.352)	(3.324.936)	(201.900)	(12.401.188)
Non-Cash Loans (6)	2.643.435	5.301.626	-	7.945.061

(1) Derivative financial transactions amounting to TL 160.282 were deducted from the exchange rate difference rediscunt "Financial Assets Reflected in Fair Value Difference Profit or Loss".

(2) The loans granted include foreign currency indexed loans amounting to TL 1.357.290, Financial Leasing Receivables amounting to TL 345.616, Frozen Receivables of TL 28.180 and Default (Third Stage/Special Provision) of TL (28.180).

(3) The amount of prepaid expenses amounting to TL 10.560, foreign exchange purchase commitment rediscunts with a value of TL 12 and the expected loss provisions of TL (3) for 12 months related to Other Assets are not included in other assets.

(4) Hedging Derivative Financial Assets is listed in the "Derivative Financial Assets" row in the financial statement; Derivative Financial Liabilities for Hedging are included in the "Derivative Financial Liabilities" line in the financial statement. The exchange rate difference rediscunt of TL 249.764 was deducted from the "Derivative Financial Assets for Hedging Purposes".

(5) 136.349 TL tutarındaki diğer finansal işlemler barçerir ve diğer riskler, 29 TL tutarında valürlü döviz satım taahhüt ve 37.710 TL tutarındaki diğer karşılıklar "Diğer Yükümlülükler" satırında yer almamaktadır.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated currency risk (continued)

The Group is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	121.430	61.596	27.765	17.563
Euro	10	145.726	62.224	(1.132)	6.330
Other	10	588	142	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(121.430)	(61.596)	(27.765)	(17.563)
Euro	10	(145.726)	(62.224)	1.132	(6.330)
Other	10	(588)	(142)	-	-

(1) Values expressed are before the tax effect.

(2) Effect on equity does not include effect on profit/loss.

IV. Explanations related to consolidated interest rate risk

The interest rate sensitivity of assets, liabilities and off-balance sheet items is measured by the Parent Bank. The general and specific interest rate risk tables within the standard method are calculated by including assets and liabilities, and the interest rate risk faced by the Parent Bank is calculated and taken into account in calculating the Capital Adequacy Standard Ratio as part of the overall market risk.

The results that may occur with forward-looking forecast-simulation reports are determined, and the effect of fluctuations in interest rates is evaluated by sensitivity analysis and scenario analysis. With the maturity distribution (Gap) analysis, the cash need arising in each maturity period is determined. In the interest rates applied, it is ensured that there is always a plus difference (spread) between the cost of liability and the return on assets.

When the Parent Bank liabilities are taken into consideration, it is seen that the resources obtained from within the country are quite low. The main shareholder Bank procures the majority of its resources from abroad with the advantages of being a development and investment bank.

Changes in interest rates are controlled by interest rate risk statements, gap analysis, scenario analysis and stress tests, and the effect on assets and liabilities and possible changes in cash flows are examined. Parent Partnership The Bank monitors many risk control ratios, such as the ratio of market risk to total risk-weighted assets and the ratio of risk-to-risk value to equity, calculated by the internal model.

In order to prevent the negative impact of assets or equity as a result of fluctuations in interest rates or liquidity difficulties, continuous controls are carried out within the scope of risk policies and the Senior management, the Board of Directors and the Audit Committee are constantly informed.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2)	-	-	-	-	-	2.797.941	2.797.941
Banks (2)	650.734	253.765	-	-	-	1.052.581	1.957.080
Financial Assets at Fair Value Through Profit and Loss (3)	1.206.545	195.521	540.763	421.501	40.169	166.706	2.571.205
Money Market Placements (2)	4.746.200	513.955	460.888	-	-	-	5.721.043
Financial Assets at Fair Value Through Other Comprehensive Income(2)	804.939	2.956.361	1.859.992	3.236.902	1.243.621	987.474	11.089.289
Loans (2)	21.077.145	13.235.609	27.064.586	13.583.455	4.202.569	-	79.163.364
Financial Assets Measured at Amortized Cost (2)	6.195.613	-	-	4.288.990	2.341.378	-	12.825.981
Other Assets (2)	-	-	-	-	-	1.495.757	1.495.757
Total Assets	34.681.176	17.155.211	29.926.229	21.530.848	7.827.737	6.500.459	117.621.660
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.205.427	266.696	-	-	-	-	2.472.123
Miscellaneous Payables	-	-	-	-	-	2.143.057	2.143.057
Marketable Securities Issued	7.130.287	336.059	-	13.917.465	-	169.646	21.553.457
Funds Provided from Other Financial Institutions(4)	26.330.965	12.552.032	24.037.279	9.855.058	1.867.878	-	74.643.212
Other Liabilities	523.556	267.842	301.211	7.596	36.944	15.672.662	16.809.811
Total Liabilities	36.190.235	13.422.629	24.338.490	23.780.119	1.904.822	17.985.365	117.621.660
Balance Sheet Long Position	-	3.732.582	5.587.739	-	5.922.915	-	15.243.236
Balance Sheet Short Position	(1.509.059)	-	(2.249.271)	-	(11.484.906)	(15.243.236)	-
Off-Balance Sheet Long Position	673.387	-	1.164.374	211.682	441.510	-	2.490.953
Off-Balance Sheet Short Position	-	(1.249.105)	-	-	-	-	(1.249.105)
Total Position	(835.672)	2.483.477	6.752.113	(2.037.589)	6.364.425	(11.484.906)	1.241.848

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

(2) Expected credit losses for stage 1 and stage 2 are shown in other assets, interest-free column.

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2)	14.377	-	-	-	-	2.023.759	2.038.136
Banks(2)	1.636.396	158.348	-	-	-	413.017	2.207.761
Financial Assets at Fair Value Through Profit and Loss (3)	912.282	595.440	496.031	436.025	278.573	36.793	2.755.144
Money Market Placements(2)	1.133.533	295.634	-	-	-	-	1.429.167
Financial Assets at Fair Value Through Other Comprehensive Income(2)	609.575	851.602	1.056.641	3.085.250	2.992.616	339.593	8.935.277
Loans(2)	14.462.424	11.362.726	21.573.974	11.342.250	4.600.649	-	63.342.023
Financial Assets Measured at Amortized Cost (2)	136.439	1.338.351	1.846.843	-	634.070	-	3.955.703
Other Assets(2)	-	-	-	64.403	-	1.364.921	1.429.324
Total Assets	18.905.026	14.602.101	24.973.489	14.927.928	8.505.908	4.178.083	86.092.535
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.411.219	-	-	-	-	-	1.411.219
Miscellaneous Payables	-	-	-	-	-	806.040	806.040
Marketable Securities Issued (4)	548.751	4.137.972	-	14.379.189	-	770.725	19.836.637
Funds Provided from Other Financial Institutions	5.353.533	14.079.034	25.577.865	7.252.607	2.011.001	-	54.274.040
Other Liabilities	167.844	340.721	237.904	201.373	197.432	8.619.325	9.764.599
Total Liabilities	7.481.347	18.557.727	25.815.769	21.833.169	2.208.433	10.196.090	86.092.535
Balance Sheet Long Position	11.423.679	-	-	-	6.297.475	-	17.721.154
Balance Sheet Short Position	-	(3.955.626)	(842.280)	(6.905.241)	-	(6.018.007)	(17.721.154)
Off-Balance Sheet Long Position	-	-	1.232.134	3.545.932	427.778	-	5.205.844
Off-Balance Sheet Short Position	(3.421.124)	(855.431)	-	-	-	-	(4.276.555)
Total Position	8.002.555	(4.811.057)	389.854	(3.359.309)	6.725.253	(6.018.007)	929.289

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

(2) Expected credit losses for stage 1 and stage 2 are shown in other assets, interest-free column.

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Average interest rates applied to monetary financial instruments: %

Current Period	Euro	US Dollar	Yen	TL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	4,03	-	26,17
Financial Assets at Fair Value Through Profit and Loss	-	-	-	20,66
Money Market Placements	-	-	-	15,51
Available-for-Sale Financial Assets	4,57	5,20	-	19,63
Loans	6,59	8,31	-	19,65
Financial Assets Measured at Amortized Cost	5,84	8,13	-	31,93
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,50	2,87	-	13,04
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,80	-	22,75
Borrower Funds	1,50	2,50	-	7,50
Funds Provided From Other Financial Institutions	2,46	5,24	-	-

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

Prior Period	Euro	US Dollar	Yen	TL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	8,50
Banks	0,51	0,12	-	23,92
Financial Assets at Fair Value Through Profit and Loss (2)	-	4,55	-	18,30
Money Market Placements	-	-	-	17,03
Available-for-Sale Financial Assets	4,55	4,78	-	17,24
Loans	4,80	5,83	-	18,57
Financial Assets Measured at Amortized Cost	-	5,60	-	23,66
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,11	0,23	-	15,36
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued(1)	-	6,19	-	16,50
Borrower Funds	0,10	0,20	-	11,00
Funds Provided From Other Financial Institutions	1,09	1,40	-	17,42

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

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

V. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa İstanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	1.238.046	-	1.926.597
Quoted	1.238.046	-	1.926.597

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	670.283	-	776.588
Quoted	670.283	-	776.588

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Equity shares risk due from banking book (continued)

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

Current Period		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	325.792	325.792	-	-	-
Other Share Certificates	-	403.077	403.077	-	-	-
Total	-	728.869	728.869	-	-	-

Prior Period		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	124.113	124.113	-	-	-
Other Share Certificates	-	181.475	181.475	-	-	-
Total	-	305.588	305.588	-	-	-

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Consolidated liquidity risk management and coverage ratio

1. Explanations related to the consolidated liquidity risk

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

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

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

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

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

1.d Information on consolidated liquidity risk mitigation techniques:

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

1.e Information on the use of stress tests

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

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

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Consolidated Liquidity Coverage Ratio

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

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
31/10/2022	231	334	403	331
30/11/2022	226	342	261	328
31/12/2022	268	313	286	295

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			13.728.200	8.148.638
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	7.748.910	5.691.184	6.619.412	4.584.848
6 Operational deposits	633.677	606.710	158.419	151.677
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	7.115.233	5.084.474	6.460.993	4.433.171
9 Secured funding	-	-	-	-
10 Other Cash Outflows	617.366	935.396	617.366	935.396
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	364.941	682.971	364.941	682.971
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	252.425	252.425	252.425	252.425
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	64.136.457	59.602.184	3.206.823	2.980.109
15 Other irrevocable or conditionally revocable commitments	23.185.861	17.303.235	3.448.061	1.697.270
16 TOTAL CASH OUTFLOWS			13.891.662	10.197.623
CASH INFLOWS				
17 Secured Lending Transactions	2.103	-	-	-
18 Unsecured Lending Transactions	9.862.908	4.886.156	7.586.494	3.348.951
19 Other contractual cash inflows	215.444	8.803.620	215.244	8.803.620
20 TOTAL CASH INFLOWS	10.080.455	13.689.776	7.801.738	12.152.571
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			13.728.200	8.148.638
22 TOTAL NET CASH OUTFLOWS			6.089.924	2.549.406
23 Liquidity Coverage Ratio (%)			225	320

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Consolidated Liquidity Coverage Ratio (continued):

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			7.482.972	4.794.941
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	3.310.090	2.420.874	2.360.276	1.490.151
6 Operational deposits	668.333	653.400	167.083	163.350
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	2.641.757	1.767.474	2.193.193	1.326.801
9 Secured funding	-	-	-	-
10 Other Cash Outflows	489.695	658.885	489.695	658.885
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	278.995	448.185	278.995	448.185
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	210.700	210.700	210.700	210.700
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	43.252.155	38.584.010	2.162.608	1.929.200
15 Other irrevocable or conditionally revocable commitments	18.049.801	15.554.693	2.301.725	1.576.106
16 TOTAL CASH OUTFLOWS			7.314.304	5.654.342
CASH INFLOWS				
17 Secured Lending Transactions	3.929	-	-	-
18 Unsecured Lending Transactions	6.035.126	4.319.564	4.793.621	3.434.668
19 Other contractual cash inflows	203.843	2.290.271	203.843	2.290.271
20 TOTAL CASH INFLOWS	6.242.898	6.609.835	4.997.464	5.724.939
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			7.482.972	4.794.941
22 TOTAL NET CASH OUTFLOWS			2.316.840	1.413.586
23 Liquidity Coverage Ratio (%)			323	339

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

The main source of funds of the main partnership Bank is long-term resources established from international financial institutions. The share of these resources in total funding is approximately 65,8%, and the share of resources provided by securities and syndication loans issued within the scope of bank resources diversification activities in total borrowing is 30,1%. 4,1% of the parent Bank's total funding comes from repo money markets.

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey(2)	2	2,797,939	-	-	-	-	-	2,797,941
Banks(2)	1,052,581	650,734	253,765	-	-	-	-	1,957,080
Financial Assets at Fair Value Through Profit and Loss (3)	166,706	1,713,879	163,814	494,232	32,574	-	-	2,571,205
Money Market Placements(2)	-	4,746,200	513,955	460,888	-	-	-	5,721,043
Financial Assets at Fair Value Through Other Comprehensive Income (2)	-	91,829	3,033,237	1,868,450	3,587,978	1,520,321	987,474	11,089,289
Loans(2)	-	5,654,490	4,996,730	15,463,883	38,578,991	14,469,270	-	79,163,364
Financial Assets Measured at Amortized Cost (2)	-	-	-	1,211,309	6,313,886	5,300,786	-	12,825,981
Other Assets(2)	153,685	72,939	-	105,374	-	-	1,163,759	1,495,757
Total Assets	1,372,974	15,728,010	8,961,501	19,604,136	48,513,429	21,290,377	2,151,233	117,621,660
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	521,906	3,641,913	9,554,139	33,628,800	27,296,454	-	74,643,212
Money Market Borrowings	-	2,471,848	275	-	-	-	-	2,472,123
Marketable Securities Issued (4)	-	7,203,227	327,391	105,374	13,917,465	-	-	21,553,457
Miscellaneous Payables	-	-	-	-	-	2,143,057	2,143,057	-
Other Liabilities	-	628,509	239,199	267,877	1,564	15,672,662	16,809,811	-
Total Liabilities	-	10,825,490	4,208,778	9,927,390	47,547,829	27,296,454	17,815,719	117,621,660
Liquidity Gap	1,372,974	4,902,520	4,752,723	9,676,746	965,600	(6,006,077)	(15,664,486)	-
Net Off-balance sheet Position	-	452,665	23,327	62,989	516,622	-	-	1,046,044
Financial Derivative Assets	-	18,634,256	2,301,232	5,583,244	20,603,676	5,130,341	-	52,252,749
Financial Derivative Liabilities	-	18,181,591	2,277,905	5,520,255	20,087,054	5,139,900	-	51,206,705
Non-cash Loans	-	460,039	565,371	3,245,059	597,699	2,002,385	435,056	7,305,609
Prior Period								
Total Assets	146,643	5,893,052	3,540,606	7,272,320	23,819,125	10,462,842	1,296,332	52,430,920
Total Liabilities	-	2,638,638	977,505	7,739,996	21,366,667	12,669,288	7,038,826	52,430,920
Liquidity Gap	146,643	3,254,414	2,563,101	(467,676)	2,452,458	(2,206,446)	(5,742,494)	-
Net Off-balance sheet Position	-	(64,216)	117,953	(72,020)	46,037	7,774	-	35,528
Financial Derivative Assets	-	1,986,891	2,085,736	5,536,697	15,268,806	3,179,750	-	28,057,880
Financial Derivative Liabilities	-	2,051,107	1,967,783	5,608,717	15,222,769	3,171,976	-	28,022,352
Non-cash Loans	-	260,744	336,541	2,535,054	525,831	978,073	302,595	4,938,838

(1) Among the active accounts that make up the balance sheet, other assets that are required for the continuation of banking activities such as tangible assets, intangible assets, associates and subsidiaries, deferred tax assets, stocks, prepaid expenses and non-performing loans, which do not have a chance to turn into cash in a short time, and other liabilities, total shareholders' equity, provisions, and passive accounts such as tax liability are shown in the "Unallocated" column.

(2) First and second stage expected loss provisions are shown in other assets, unallocated column.

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

(4) Includes bonds with the nature of secondary subordinated loans issued, which are classified under subordinated loans in the balance sheet.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	529,582	3,946,557	11,686,984	41,924,776	34,456,950	(17,901,637)	74,643,212
Money Market Borrowings	2,482,128	280	-	-	-	(10,285)	2,472,123
Marketable Securities Issued	7,536,014	-	526,768	15,581,199	-	(2,090,524)	21,553,457
Funds	737,733	-	210	947	1,894	-	737,733
Leasing Liabilities	2,237	-	-	-	-	(3,043)	2,245
Total	11,287,694	3,947,047	12,214,699	57,507,869	34,456,950	-20,005,489	99,408,770

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	199,893	1,253,767	9,007,179	24,618,077	22,442,733	(3,247,609)	54,274,040
Money Market Borrowings	1,411,307	-	-	-	-	(88)	1,411,219
Marketable Securities Issued	601,258	4,331,286	884,736	16,350,069	-	(2,330,712)	19,836,637
Funds	691,704	-	-	-	-	-	691,704
Leasing Liabilities	110,462	3,389	15,251	1,695	-	(3,874)	126,923
Total	3,014,624	5,588,442	9,907,166	40,969,841	22,442,733	(5,582,283)	76,340,523

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Swap Contracts	36,568,269	3,827,239	10,663,600	40,450,181	10,270,241	101,779,530
Forward Contracts	132,238	751,898	439,899	240,549	-	1,564,584
Futures Transactions	-	-	-	-	-	-
Options	17,438	-	-	-	-	17,438
Other	97,902	-	-	-	-	97,902
Total	36,815,847	4,579,137	11,103,499	40,690,730	10,270,241	103,459,454

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Swap Contracts	13,761,418	14,429,302	7,467,109	41,953,929	8,875,476	86,487,234
Forward Contracts	626,570	1,277,662	381,845	-	-	2,286,077
Futures Transactions	15,942	15,663	-	-	-	31,605
Options	24,709	-	-	-	-	24,709
Other	25,298	5,019	5,019	-	-	35,336
Total	14,453,937	15,727,646	7,853,973	41,953,929	8,875,476	88,864,961

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated leverage ratio

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

The table regarding the leverage ratio calculated in accordance with the "Regulation on the Measurement and Evaluation of the Leverage Level of Banks" published in the Official Gazette dated November 5, 2013 and numbered 28812 is given below.

As of the balance sheet date of the Group, the leverage ratio calculated on the basis of the arithmetic average of the values found at the end of the month in the past three months was 11,57% (December 31, 2021: 7,63%). The amount of on-balance sheet assets increased by approximately 47,06% compared to the previous period.

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

	Current Period	Prior Period
1 Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS (2)	100.867.765	61.168.352
2 The difference between Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks (2)	(16.753.895)	(24.924.183)
3 The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	1.302.943	107.529
4 The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	2.685.103	1.326.573
5 The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	(9.087.387)	(8.513.256)
6 The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks (1)	-	-
7 Total Exposures (1)	132.462.219	90.748.948

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

(2) Consolidated financial statements prepared in accordance with the sixth paragraph of article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks. Since the consolidated financial statements prepared in accordance with TAS for the current period are not yet ready, the consolidated financial statements prepared in accordance with TAS dated June 30, 2022 and December 31, 2021 as of the previous period have been used.

c) Consolidated Leverage Ratio

	Current Period(1)	Prior Period(1)
Balance sheet Assets		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	114.494.868	77.843.905
2 (Assets deducted from Core capital)	(373.493)	(243.561)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	114.121.375	77.600.344
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	782.178	1.866.658
5 Potential credit risk amount of derivative financial assets and credit derivatives	310.485	475.101
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	1.092.663	2.341.759
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity	1.611.804	794.981
8 Risk amount arising from intermediary transactions	47.985	149.233
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	1.659.789	944.214
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	24.675.779	18.375.887
11 (Correction amount due to multiplication with credit conversion rates)	(9.087.387)	(8.513.256)
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	15.588.392	9.862.631
Capital and total risk		
13 Core Capital	15.325.955	6.928.370
14 Total risk amount (sum of lines 3, 6, 9 and 12)	132.462.219	90.748.948
Leverage ratio	11,57%	7,63%

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the consolidated financial statements of the Group.

	Carrying Value Current Period	Fair Value Current Period
Financial Assets	112.903.819	112.146.591
Money Market Placements	5.721.043	5.721.043
Banks	1.957.080	1.957.080
Available-For-Sale Financial Assets	11.089.289	11.089.289
Held-To-Maturity Investments	12.825.981	14.672.465
Loans (1)	81.310.426	78.706.714
Financial Liabilities	101.835.946	100.581.896
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions (2)	77.853.068	77.853.068
Marketable Securities Issued	21.553.457	20.299.407
Miscellaneous Payables	2.429.421	2.429.421

(1) Loans include financial lease receivables.

(2) Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

	Carrying Value Prior Period	Fair Value Prior Period
Financial Assets	80.994.988	77.524.984
Money Market Placements	1.429.167	1.429.167
Banks	2.207.761	2.207.761
Available-For-Sale Financial Assets	8.935.277	8.935.277
Held-To-Maturity Investments	3.955.703	2.582.216
Loans (1)	64.467.080	62.370.563
Financial Liabilities	77.170.357	74.958.227
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions (3)	56.376.963	56.376.963
Marketable Securities Issued (2)	19.836.637	17.624.507
Miscellaneous Payables	956.757	956.757

(1) Loans include financial lease receivables.

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

(3) Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- The stock market value as of the balance sheet date was used to calculate the actual value of the financial assets measured by the amortized cost.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

- iv- For the fair value calculation of marketable securities, market prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involve the use of non-observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
c) Inputs for the asset or liability that are not based on observable market data (Level 3).

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets at Fair Value Through Profit or Loss	98.313	77.286	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.408.510	7.656.651	12.278
Loans at Fair Value Through Profit or Loss	-	-	-
Derivative Financial Assets Held-for-trading (1)	-	2.007.670	-
Derivative Financial Assets for Hedging Purposes (1)	-	387.926	-
Financial Liabilities			
Derivative Financial Liabilities Held-for-trading (2)	-	998.333	-
Derivative Financial Liabilities for Hedging Purposes (2)	-	134.010	-

(1) Positive differences between Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

(2) Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

Prior Period	Level I	Level II	Level III
Financial Assets			
Financial Assets at Fair Value Through Profit or Loss	32.276	10.483	-
Financial Assets at Fair Value Through Other Comprehensive Income	2.388.302	6.528.930	6.197
Loans at Fair Value Through Profit or Loss	-	-	263.097
Derivative Financial Assets Held-for-trading (1)	-	2.188.386	-
Derivative Financial Assets for Hedging Purposes (1)	-	256.505	-
Financial Liabilities			
Derivative Financial Liabilities Held-for-trading (2)	-	1.120.762	-
Derivative Financial Liabilities for Hedging Purposes (2)	-	-	-

(1) Positive differences between Derivative Financial Assets Held-for-trading and Derivative Financial Assets for Hedging Purposes are classified in "1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss" line in the balance sheet.

(2) Negative differences from Derivative Financial Liabilities Held-for-trading and Derivative Financial Liabilities for Hedging Purposes are classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

	Current Period	Prior Period
Balance Per Period	269.294	269.294
Purchases	6.081	-
Redemption or Sale	(263.097)	-
Valuation Difference	-	-
Transfers	-	-
End of Period Balance	12.278	269.294

The real estate registered by the parent company Bank under tangible assets at fair value is at level 2, and the investment properties of the companies included in the consolidation are at level 2 and 3.

The balance tracked as the other financial asset whose fair value difference at level 3 is reflected in profit and loss includes the loan extended to the special purpose company, the details of which are included in Chapter Five I-2.d footnote. The fair value of the loan in question has been determined as a result of various valuation methods.

IX. Transactions made on behalf and on behalf of others, explanations and footnotes on faith-based transactions

The main partnership Bank provides management and consultancy services in the name and account of others, such as purchase, sale, custody, financial matters. No faith-based transactions are carried out by the parent company Bank.

X. Disclosures on consolidated risk management

Linkages between financial statements and risk amounts

The footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosures to be Made by Banks on Risk Management" published in the Official Gazette No. 29511 on October 23, 2015 and entered into force as of March 31, 2016 are given in this section.

Since the standard approach is used in the Bank's capital adequacy calculation, tables on methods based on internal models are not included in accordance with the relevant communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on the Parent Bank's risk management approach and risk weighted amounts

The main shareholder Bank's risk management approach is within the scope of the policies and implementation principles determined by the Board of Directors and in a way that serves to create a common risk culture throughout the institution; is a structure in which risks are defined in accordance with international regulations and measurement, analysis, monitoring and reporting activities are carried out within this framework.

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

The Risk Management Department develops the systems needed in the risk management process and carries out these activities, monitors the compliance of risks with policies and standards, Bank limits and risk appetite indicators, and carries out compliance with the relevant legal legislation and Basel criteria. In addition to the standard approaches used for legal reporting, risk measurements subject to reporting are also carried out with advanced approaches through internal models and supported by stress tests.

The Risk Management Department submits the detailed solo and consolidated risk management reports prepared monthly and quarterly to the Board of Directors through the Audit Committee. In these reports, measurements, stress tests and scenario analyses related to the main risks are included and the level of compliance with the determined limit level and risk appetite indicators are monitored.

Prospective risk assessments are carried out by applying stress tests on credit, market interest and liquidity risk at regular intervals and the impact of the results on the Bank's financial strength in general is evaluated. The relevant results are reported to the Audit Committee and contribute to the evaluation of the Bank's financial structure in times of stress. Stress test scenarios are created by evaluating the effects of the past economic crises on macroeconomic indicators and the expectations for the next period. In the light of the created stress scenarios, the Bank's risks and capital position in the coming period are foreseen and necessary analyzes are made in terms of legal and internal capital adequacy ratios and the ISEDES report is reported to the BRSA.

As of June 2022, in addition to using the ratings given by the Fitch Ratings International Rating Agency in determining the risk weights in the Bank's capital adequacy calculations, the risk weights of TL denominated receivables from domestically resident banks and intermediary institutions in the "Receivables from Banks and Intermediary Institutions" risk class and domestically resident firms and financial institutions in the "Corporate Receivables" class. The national ratings assigned by JCR Avrasya Derecelendirme A.Ş. started to be used in the determination.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	64.939.218	47.968.274	5.195.137
2	Standardised approach	64.939.218	47.968.274	5.195.137
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.802.158	2.566.850	144.173
5	Standardised approach for counterparty credit risk	1.802.158	2.566.850	144.173
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	3.419.475	1.289.800	273.558
17	Standardised approach	3.419.475	1.289.800	273.558
18	Internal model approaches	-	-	-
19	Operational risk	4.647.834	3.282.394	371.827
20	Basic indicator approach	4.647.834	3.282.394	371.827
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	3.233.153	1.813.028	258.652
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	78.041.838	56.920.346	6.243.347

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation

Current Period	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at Central Bank	2.474.270	2.797.569	2.797.942	-		-	-
Banks	3.364.973	1.951.152	1.780.640	282.215		-	-
Money Market Placements	2.237.325	5.720.467	5.719.293	1.750		-	-
Financial Assets at Fair Value Through Profit or Loss	50.977	175.599	-	-		-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11.744.286	11.089.289	11.205.086	3.451.370		-	-
Financial Assets Measured at Amortized Cost	8.548.593	12.813.773	12.825.981	2.176.525		-	-
Derivative Financial Assets	2.582.621	2.395.606	-	2.395.606		969.697	-
Loans	65.981.598	75.519.567	80.930.195	-		-	-
Leasing Receivables	396.691	283.078	380.231	-		-	-
Factoring Receivables	-	-	-	-		-	-
Assets Held for Sale and Discontinued Operations	-	-	-	-		-	-
Associates (net)	914.032	1.493.750	1.493.750	-		-	248.658
Subsidiaries (net)	-	51.970	51.970	-		-	-
Joint-Ventures (net)	-	5.628	5.628	-		-	-
Tangible Assets (net)	484.832	1.214.227	1.210.936	-		-	3.291
Intangible Assets (net)	2.530	4.278	-	-		-	4.278
Investment Properties (net)	336.177	764.910	764.910	-		-	-
Tax Assets	118.671	177	177	-		-	-
Deferred Tax Assets	680.858	724.131	724.131	-		-	-
Other Assets	949.331	616.489	357.870	1.437	-	-	260.358
Total Assets	100.867.765	117.621.660	120.248.740	8.308.903	-	969.697	516.585

(1) In accordance with the sixth paragraph of Article 5 of the Communiqué on the Arrangement of the Consolidated Financial Statements of Banks, the financial statements prepared as of June 30, 2022 were used.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Current Period	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposits				-		-	
Funds Borrowed	63.734.523	70.814.085		2.234.168		-	68.579.917
Money Market Funds	1.999.566	2.472.123		1.442.518		-	1.029.605
Securities Issued	19.627.653	21.553.457		-		-	21.553.457
Funds	330.575	737.733		-		-	737.733
Financial Liabilities at Fair Value Through Profit or Loss	-	-		-		-	0
Derivative Financial Liabilities	989.809	1.132.353		401.666		857.749	30.854
Factoring Payables	-	-	-	-	-	-	0
Lease Payables	5.832	5.563		-		-	5.563
Provisions	733.880	1.071.429		-		-	1.071.429
Current Tax Liability	485	580.310		-		-	580.310
Deffered tax Liability	6.476	-		-		-	0
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-		-		-	0
Subordinated Debts	3.408.349	3.829.127		-		-	3.829.127
Other Liabilities	1.734.634	2.433.024		1.799.501		-	633.523
Shareholders' Equity	8.295.983	12.992.456		-		-	12.992.456
Total Liabilities	100.867.765	117.621.660		5.877.853		857.749	111.043.974

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at June 30, 2022 are used.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Prior Period	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Assets			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (2)	Not subject to capital requirements or subject to deduction from capital
Cash and Balances at Central Bank	1.308.641	2.037.050	2.038.136	-	-	-	-
Financial Assets Held for Trading	670.522	2.206.021	2.139.674	68.087	-	-	-
Financial Assets at Fair Value through Profit and Loss	1.672.945	1.429.081	1.428.869	297	-	297	-
Bank	274.785	305.856	263.097	-	-	58.289	-
Money Market Placements	5.370.860	8.935.277	8.965.381	3.195.743	-	-	-
Financial Assets Available-for-Sale (net)	2.994.542	3.950.947	3.955.703	-	-	-	-
Loans and Receivables	1.318.144	2.449.288	-	2.449.288	-	698.114	-
Factoring Receivables	44.549.621	61.076.120	64.120.513	-	-	-	-
Investment Held-to-Maturity (net)	-	272.217	346.567	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	64.403	64.403	64.403	-	-	-	-
Joint-Ventures (net)	657.298	777.551	777.551	-	-	-	91.446
Finance Lease Receivables	-	36.116	36.116	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	1.836	1.836	-	-	-	-
Tangible Assets (net)	380.804	479.361	477.388	-	-	-	1.973
Intangible Assets (net)	3.932	4.514	-	-	-	-	4.514
Investment Properties	280.367	336.177	336.177	-	-	-	-
Tax Assets	-	209	209	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	224.375	396.583	396.583	-	-	-	-
Other Assets	1.397.113	1.333.928	521.627	12.728	-	-	814.520
Total Assets	61.168.352	86.092.535	85.869.830	5.726.143	-	756.700	912.453

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at June 30, 2021 are used.

(2) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Prior Period Liabilities	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (2)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-	-
Funds Borrowed	38.178.684	54.274.040	-	1.400.751	-	-	54.274.040
Money Market Funds	972.072	1.411.219	-	774.469	-	-	1.411.219
Securities Issued	11.045.519	15.807.433	-	-	-	-	15.807.433
Funds	115.303	691.704	-	-	-	-	691.704
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	589.165	1.121.279	-	-	-	591.532	1.121.279
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	5.523	4.678	-	-	-	-	4.678
Provisions	232.746	547.469	-	-	-	-	547.469
Current Tax Liability	165.261	225.072	-	-	-	-	225.072
Deferred tax Liability	-	-	-	-	-	-	-
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Debts	2.695.593	4.029.204	-	-	-	-	4.029.204
Other Liabilities	600.280	958.671	-	-	-	-	958.671
Shareholders' Equity	6.568.206	7.021.766	-	-	-	-	7.021.766
Total Liabilities	61.168.352	86.092.535	-	2.175.220	-	591.532	86.092.535

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks as at June 30, 2021 are used.

(2) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

	Current Period	Total	Credit Risk (1)	Securitization Positions	Counterparty credit risk (1)	Market risk (2)
1	Asset carrying value amount under scope of regulatory consolidation		120.248.740		8.308.903	969.697
2	Liabilities carrying value amount under regulatory scope of consolidation				5.877.853	857.749
	Total net amount		120.248.740		2.431.050	119.948
3	Off-balance sheet amounts		7.680.780		339.088	
4	Differences due to prudential filters		(28.863.980)		(218.719)	3.307.527
	Risk Amounts		99.065.540		2.551.419	3.419.475

(1) The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

(2) The valuation amounts of financial instruments included in trading accounts in accordance with TAS are included.

	Prior Period	Total	Credit Risk (1)	Securitization Positions	Counterparty credit risk (1)	Market risk (2)
1	Asset carrying value amount under scope of regulatory consolidation	86.092.535	85.869.830	-	5.726.143	698.114
2	Liabilities carrying value amount under regulatory scope of consolidation	86.092.535	-	-	2.175.220	591.532
	Total net amount	-	85.869.830	-	3.550.923	106.582
3	Off-balance sheet amounts	73.419.905	7.572.332	-	731.220	-
4	Differences due to prudential filters	-	(25.849.237)	-	(786.207)	1.183.218
	Risk Amounts	-	67.592.925	-	3.495.936	1.289.800

(1) The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

(2) Gross position amounts included in the calculation of market risk are taken as basis.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

The differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

There is no major differences between the financial and regulatory scope of consolidation.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Parent Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VIII. Disclosures on financial assets" in section "Accounting Policies" of section three of the report.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on credit risk

General qualitative information on credit risk

Credit risk is the possibility of incurring losses due to the credit fulfill customer or the counterparty, with whom the Bank has made an agreement with, does not fulfill its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

Credit quality of assets

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Current Period	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	2.333.976	99.777.462	5.516.395	96.595.043
2 Debt Securities	-	23.587.865	192.323	23.395.542
3 Off-balance sheet exposures	4.091	22.724.967	49.850	22.679.208
4 Total	2.338.067	146.090.294	5.758.568	142.669.793

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
Prior Period	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	2.081.519	74.189.878	3.123.872	73.147.525
2 Debt Securities	-	12.891.626	281.128	12.610.498
3 Off-balance sheet exposures	4.441	19.864.874	62.097	19.807.218
4 Total	2.085.960	106.946.378	3.467.097	105.565.241

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Changes in stock of default loans and debt securities

Current Period	Balance
1 Defaulted loans and debt securities at end of the previous reporting	2,085,960
2 Loans and debt securities that have defaulted since the last reporting period	585,605
3 Receivables back to non-defaulted status	-
4 Amounts written off	557,916
5 Other changes	224,418
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	2,338,067

Prior Period	Balance
1 Defaulted loans and debt securities at end of the previous reporting	1,694,218
2 Loans and debt securities that have defaulted since the last reporting period	13,162
3 Receivables back to non-defaulted status	-
4 Amounts written off	-
5 Other changes	378,580
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	2,085,960

Additional disclosure related to the credit quality of assets

The Parent Bank considers stage 2 loans that collections of principal and interest payments have not been realized on due dates as past due in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables".

Loans that collections of principal and interest payments are over due more than 90 days and losing creditworthiness is considered by the Parent Bank as impaired or provisioned loans.

General loan loss provision is calculated for past due loans; Specific provision is calculated for impaired loans. The methods used in determining the provision amounts are explained in Section Three Note VIII.

Refinancing and restructuring; is the replacement of one or several loans extended by the Parent Bank to a new loan that will cover the principal or interest payment in whole or in part due to the financial distress expected by the customer or the group in the present or future, or change the terms in the current loans to ensure that the debt can be paid.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to consolidated credit risk (continued)

Additional disclosure related to the credit quality of assets (continued)

Breakdown of receivables according to major regions, sectors and remaining maturities

Breakdown of receivables by major regions, sectors and remaining maturities is included in notes under Section Four, Note II, "Explanations Related to Consolidated Credit Risk."

Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions

On the basis of geographical regions, the Bank's reserve receivables consist of domestic receivables. On a sector-by-sector basis, the Bank's reserve receivables and related reserve amounts are included in the note "Miscellaneous information according to important sectors or counterparty type" under "Disclosures Regarding Consolidated Credit Risk" in Chapter II of Chapter Four. 100% provision is allocated for these receivables. As of December 31, 2022, the amount of written off receivables is TL 557,916 (December 31, 2021: None).

The aging analysis of the receivables past due

The aging analysis of the receivables past due is presented in footnote under Section Four II. "Explanations related to consolidated credit risk".

Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

Financial collaterals are assessed on a daily basis at the Parent Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed. The value of the real estates is determined by the valuation institutions authorized by the CMB.

The main collateral that the Bank can use within the scope of credit risk mitigation techniques are; financial collateral, guarantees and mortgages. In the reporting conducted as of December 31, financial guarantees, guarantees and mortgages were used as credit risk reduction in the calculation of the amount based on consolidated credit risk.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk mitigation techniques - Standard approach

Current Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	93.131.360	2.058.786	867.420	1.268.350	633.850	-	-
2 Debt securities	23.532.090	-	-	-	-	-	-
3 Total	116.663.450	2.058.786	867.420	1.268.350	633.850	-	-
4 Of which default	2.333.975	-	-	-	-	-	-

Prior Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	69.479.850	2.843.200	1.311.590	791.868	481.534	-	-
2 Debt securities	12.643.103	-	-	-	-	-	-
3 Total	82.122.953	2.843.200	1.311.590	791.868	481.534	-	-
4 Of which default	2.081.519	-	-	-	-	-	-

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach

Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The related disclosures are included in footnotes "Credit risk under standard approach" under Section Four, Note II "Explanations related to consolidated credit risk".

Credit risk exposure and credit risk mitigation effects

Current Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
	On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Risk Groups						
1 Exposures to sovereigns and their central banks	22.007.657	-	22.017.973	-	-	0%
2 Exposures to regional and local governments	-	-	-	-	-	-
3 Exposures to administrative bodies and noncommercial entities	-	11.516	-	2.303	2.303	100%
4 Exposures to multilateral development banks	65.251	-	65.251	-	-	0%
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and securities firms	8.604.982	3.793.697	8.605.212	669.572	2.589.125	28%
7 Exposures to corporates	56.386.972	62.451.594	56.376.426	5.353.159	58.112.958	94%
8 Retail exposures	-	-	-	-	-	-
9 Exposures secured by residential real estate property	-	-	-	-	-	-
10 Exposures secured by commercial real estate property	792.218	-	792.218	-	396.109	50%
11 Past due receivables	2.327.217	-	186.913	-	93.456	50%
12 Exposures in higher-risk categories	80.928	622.908	80.928	3.918	126.864	150%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings	577.716	-	577.716	-	577.716	100%
16 Other exposures	3.139.832	239.483	2.516.611	105.607	2.622.216	100%
17 Equity investments	1.711.733	-	1.711.733	-	3.651.624	213%
18 Total	95.694.506	67.119.198	92.930.981	6.134.559	68.172.371	69%

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Credit risk exposure and credit risk mitigation effects (continued)

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	11.964.119	221.694	12.005.882	44.339	-	-
2	Exposures to regional and local governments	3.000	-	600	-	300	50%
3	Exposures to administrative bodies and noncommercial entities	-	1.742	-	348	348	100%
4	Exposures to multilateral development banks	82.218	-	82.218	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	4.976.454	436.655	4.472.779	26.650	1.240.303	28%
7	Exposures to corporates	41.637.462	44.276.755	41.594.623	4.922.440	43.814.473	94%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.295.263	-	1.295.263	-	647.631	50%
11	Past due receivables	1.666.745	-	741.674	-	629.106	85%
12	Exposures in higher-risk categories	64.831	1.286.638	64.830	42.773	160.512	149%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	73.685	-	73.685	-	73.685	100%
16	Other exposures	1.444.248	395.980	1.005.657	208.459	1.116.424	92%
17	Equity investments	1.010.704	-	1.010.705	-	2.098.520	208%
18	Total	64.218.729	46.619.464	62.347.916	5.245.009	49.781.302	74%

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standardised approach (continued)

Exposures by asset classes and risk weights

	Current Period				50% Secured by Real Estate Property						Total Risk Amount (after CCR and CVA)
	Risk Groups/ Risk Weight	0%	10%	20%		75%	100%	150%	200%	250%	
1	Exposures to sovereigns and their central banks	22.017.973	-	-	-	-	-	-	-	-	22.017.973
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	2.303	-	-	-	2.303
4	Exposures to multilateral development banks	65.251	-	-	-	-	-	-	-	-	65.251
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	6.827.649	2.447.080	-	55	-	-	-	9.274.784
7	Exposures to corporates	-	-	1.804.268	5.104.304	-	54.442.071	-	378.942	-	61.729.585
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	792.218	-	-	-	-	-	792.218
10	Past due receivables	-	-	-	186.913	-	-	-	-	-	186.913
11	Exposures in higher-risk categories	-	-	-	3	-	804	84.039	-	-	84.846
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	577.716	-	-	-	577.716
15	Equity investments	-	-	-	-	-	418.472	-	-	1.293.261	1.711.733
16	Other exposures	2	-	-	-	-	2.622.216	-	-	-	2.622.218
17	Total	22.083.226	-	8.631.917	8.530.518	-	58.063.637	84.039	378.942	1.293.261	99.065.540

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standardised approach (continued)

Exposures by asset classes and risk weights

	Prior Period				50% Secured by Real Estate Property						Total Risk Amount (after CCR and CVA)
	Risk Groups/ Risk Weight	0%	10%	20%		75%	100%	150%	200%	250%	
1	Exposures to sovereigns and their central banks	12.050.221	-	-	-	-	-	-	-	-	2.050.221
2	Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	600
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	348	-	-	-	348
4	Exposures to multilateral development banks	82.218	-	-	-	-	-	-	-	-	82.218
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	3.364.860	1.134.477	-	92	-	-	-	4.499.429
7	Exposures to corporates	-	-	517.881	4.576.577	-	41.422.605	-	-	-	46.517.063
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.295.263	-	-	-	-	-	1.295.263
10	Past due receivables	-	-	-	225.135	-	516.539	-	-	-	741.674
11	Exposures in higher-risk categories	-	-	-	294	-	1.197	106.112	-	-	107.603
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	73.685	-	-	-	73.685
15	Equity investments	-	-	-	-	-	285.494	-	-	725.211	1.010.705
16	Other exposures	97.692	-	-	-	-	1.116.424	-	-	-	1.214.116
17	Total	12.230.131	-	3.882.741	7.232.346	-	43.416.384	106.112	-	725.211	67.592.925

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR)

Qualitative disclosures on CCR (continued)

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions are calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to 1,4 times the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

Analysis of counterparty credit risk (CCR) exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
Current Period							
1	Standardised Approach (for derivatives)	493.990	185.586	-	1.4	951.406	591.164
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	1.476.035	935.763
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.526.927

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Analysis of counterparty credit risk (CCR) exposure by approach (continued)

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
Prior Period							
1	Standardised Approach (for derivatives)	2.099.433	448.023	-	-	2.547.456	1.158.148
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	757.723	538.769
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.696.917

Credit valuation adjustment (CVA) for capital charge

		Exposure at default post-credit risk mitigation techniques	Risk weighted amount
Current Period			
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3*multiplier)	-	-
2	(ii) Stressed VaR component (including the 3*multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	951.387	272.141
4	Total subject to the CVA capital charge	951.387	272.141

		Exposure at default post-credit risk mitigation techniques	Risk weighted amount
Prior Period			
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3*multiplier)	-	-
2	(ii) Stressed VaR component (including the 3*multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	2.547.456	864.195
4	Total subject to the CVA capital charge	2.547.456	864.195

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on counterparty credit risk (CCR)

Standardised approach – Counterparty credit risk exposures by regulatory portfolio and risk weights

Current Period Risk Weight									
Risk Groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Exposures to sovereigns and their central banks	80.614	-	-	-	-	-	-	-	80.614
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	592	-	-	592
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	186.379	1.289.156	-	-	-	-	1.475.535
Exposures to corporates	-	-	5.366	48.319	-	812.400	4.466	-	870.551
Retail exposures	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	149	-	-	149
Total	80.614	-	191.745	1.337.475	-	813.141	4.466	-	2.427.441

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on counterparty credit risk (CCR) (continued)

Standardised approach – Counterparty credit risk exposures by regulatory portfolio and risk weights (continued)

Prior Period Risk Weight									
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(1)
Exposures to sovereigns and their central banks	672.191	-	-	-	-	-	-	-	672.191
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	5.658	-	-	5.658
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	136.885	1.549.838	-	-	-	-	1.686.723
Exposures to corporates	-	-	-	108.482	-	826.812	5.194	-	940.488
Retail exposures	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	119	-	-	119
Total	672.191	-	136.885	1.658.320	-	832.589	5.194	-	3.305.179

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Collaterals used for CCR

Current Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	185.960	-
Cash – foreign currency	1.173.598	-	113.499	-	2.526.391	-
Domestic sovereign debt	-	-	-	-	1.750	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	1.173.598	-	113.499	-	2.714.101	-

Prior Period	Derivative Financial Instrument Collaterals				Other Instrument Collaterals	
	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	165.542	-
Cash – foreign currency	-	-	-	-	1.370.448	-
Domestic sovereign debt	-	-	-	-	297	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.536.287	-

Credit derivatives

None (December 31, 2021 : None).

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Exposure to central counterparties (CCP)

	Current Period		Prior Period	
	Exposure at Default Post – CRM	RWA	Exposure at Default Post – CRM	RWA
Exposure to Qualified Central Counterparties (QCCPs) Total	330.622	3.089	299.619	5.739
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	123.979	2.480	190.756	3.815
(i) OTC Derivatives	111.369	2.227	188.337	3.767
(ii) Exchange-traded Derivatives	12.574	251	2.414	48
(iii) Securities financing transactions	36	1	5	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	176.439	-	47.932	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	30.204	610	60.931	1.924
Unfunded default fund contributions	-	-	-	-
Exposures to non- Central Counterparties (QCCPs) Total	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

Explanations on securitizations

None (December 31, 2021 : None).

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on market risk

Qualitative information to be disclosed to public concerning market risk

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. 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.

Interest rate, exchange rate, stock and commodity price risks are 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 monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite.

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSA Standard Method and advanced method which are Value at Risk (VaR) and Expected Shortfall approaches. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

Market Risk-standard approach

	Risk Weighted Amount (RWA)	
	Current Period	Prior Period
Outright products	-	-
1 Interest rate risk (general and specific)	490.000	382.550
2 Equity risk (general and specific)	46.437	24.925
3 Foreign exchange risk	2.883.038	882.325
4 Commodity risk	-	-
Options	-	-
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	3.419.475	1.289.800

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Disclosure on operational risk

Information to be disclosed to the public regarding operational risk

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

	31/12/2019	31/12/2020	31/12/2021	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	1.533.690	2.245.130	3.657.714	2.478.845	15	371.827
Capital Requirement for Operational Risk (Total*12,5)						4.647.834

	31/12/2018	31/12/2019	31/12/2020	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	1.473.010	1.533.690	2.245.130	1.750.610	15	262.591,5
Capital Requirement for Operational Risk (Total*12,5)						3.282.394

Disclosures on interest rate risk resulting from banking book

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.

Current Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity - Loss/ Shareholders' Equity
TL	+500 / (400) basis point	(191.612) / 174.185	(1,11)% / 1,01%
Euro	+200 / (200) basis point	(27.099) / 36.391	(0,16)% / 0,21%
US Dollar	+200 / (200) basis point	(575.041) / 667.769	(3,33)% / 3,86%
Total (for Negative Shocks)		878.345	5,08%
Total (for Positive Shocks)		(793.752)	(4,59)%

Prior Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity - Loss/ Shareholders' Equity
TL	+500 / (400) basis point	(223.223) / 207.030	(1,9)% / 1,76%
Euro	+200 / (200) basis point	(177.064) / 5.841	(1,50)% / 0,05%
US Dollar	+200 / (200) basis point	(351.156) / 312.612	(2,98)% / 2,66%
Total (for Negative Shocks)		525.483	4,47%
Total (for Positive Shocks)		(751.443)	(6,39)%

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2	-	25	-
Balances with the Central Bank of Turkey	18.958	2.778.981	14.691	2.023.420
Other	-	-	-	-
Total	18.960	2.778.981	14.716	2.023.420

	Current Period (1)		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	18.958	22.323	14.691	16.706
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (2)	-	2.756.658	-	2.006.714
Total	18.958	2.778.981	14.691	2.023.420

(1) Expected credit loss amounting to TL 372 (December 31, 2021: TL 1.086) is allocated in "Balances with the Central Bank of Turkey".

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

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

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

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

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

1.a Information related to the account of the Central Bank of Turkey (continued):

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2022 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	Reserve Ratio
Borrower Funds	8
Until 1 year maturity (1 year included)	8
1-3 year maturity (3 year included)	5,5
More than 3 year maturity	3

Original Maturity	Reserve Ratio
Borrower Funds	25
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blockage (December 31, 2021: None).

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (December 31, 2021: None).

2.c Positive differences related to derivative financial assets :

Derivative Instruments (1)	Current Period		Prior Period	
	FC	TL	FC	FC
Forward Transactions	90.994	870	37.763	1.971
Swap Transactions	869.636	1.046.180	1.732.072	420.944
Futures Transactions	-	-	-	-
Options	-	-	-	33
Other	-	-	-	-
Total	960.630	1.047.050	1.769.835	422.948

(1) Derivative Financial Assets for Hedging Purposes amounting to TL 387.926 are presented in the "Derivative Financial Assets" account (December 31, 2021 : TL 256.505).

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

2.d Loans at Fair Value Through Profit or Loss:

Net Book Value	Current Period	Prior Period
Loans at Fair Value Through Profit or Loss	-	263.097

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

As of March 31, 2022, the Parent Shareholding Bank sold 192.500.000.000 Group A shares representing 55% of the capital of Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş., to the Turkey Wealth Fund and as a result of the collection made from the sales amount, the portion of the loan corresponding to the Bank's share was closed. After the collection, the remaining loan amount is allocated against the whole amount. As of June 30, 2022, it was classified as a frozen receivable and was deducted accountably from the register together with the amount of the special provision allocated under IFRS 9 due to the lack of reasonable expectation of its recovery.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and foreign bank accounts

3.a Information on banks:

	Current Period (1)		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	464.264	299.523	282.457	471.829
Foreign	-	1.193.293	-	1.453.475
Branches and head office abroad	-	-	-	-
Total	464.264	1.492.816	282.457	1.925.304

(1) Expected credit loss amounting to TL 5.928 (December 31, 2021: TL 1.740) is allocated in "Banks".

3.b Information on banks and foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	183.840	62.067	-	-
USA and Canada	92.897	124.370	-	-
OECD Countries (1)	916.556	1.267.038	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
Total	1.193.293	1.453.475	-	-

(1) OECD countries other than European Union countries, USA and Canada.

4. Available-for-sale financial assets subject to repurchase agreements:

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

	Current Period		Prior Period	
	TP	YP	TP	YP
Government bonds	-	3.331	120.368	1.058.960
Treasury bills	-	-	-	-
Other government debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	3.331	120.368	1.058.960

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

As of balance sheet date, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 6.331.813.

	Current Period		Prior Period	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	2.357.394	3.974.419	1.200.532	2.275.660
Other	-	-	-	-
Total	2.357.394	3.974.419	1.200.532	2.275.660

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 1. Explanations and disclosures related to the consolidated assets (continued)**
- 4. Information on financial assets at fair value through other comprehensive income (continued):**
- 4.b Major types of financial assets at fair value through other comprehensive income:**
- Financial assets at fair value through other comprehensive income comprised of government bonds 25,67%, Eurobonds 62,25% and shares and other securities 12,08% (December 31, 2021: 25,23% government bonds, 68,23% Eurobonds, 6,54% shares and other securities).
- 4.c. Information on financial assets at fair value through other comprehensive income:**

	Current Period	Prior Period
Debt securities	10.281.932	8.869.824
Quoted on a stock exchange	3.213.493	2.608.355
Unquoted	7.068.439	6.261.469
Share certificates	524.622	287.607
Quoted on a stock exchange	57.569	34.697
Unquoted	467.053	252.910
Impairment provision(-)	(185.011)	(281.265)
Other	467.746	59.111
Total	11.089.289	8.935.277

There is no provision for "Financial Assets at Fair Value Through Other Comprehensive Income"

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates of the Group is TL 462.159 (December 31, 2021: TL 245.786).

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	681.627	-	912.073	-
Corporate shareholders	681.627	-	912.073	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	5.921	-	1.304	-
Total	687.548	-	913.377	-

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 1. Explanations and disclosures related to the consolidated assets (continued)**
- 5. Explanation on loans (continued)**
- 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:**
- 5.b.1 Loans measured at Fair Value through Profit/Loss:**

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

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

- 5.b.2 Information on Standard and Close Monitoring loans and restructured Close Monitoring loans:**

Current Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	67.933.705	3.091.489	6.541.645	-
Working Capital loans	9.832.172	98.457	2.240.190	-
Export loans	2.602.907	68.592	-	-
Import loans	-	-	-	-
Loans given to financial sector	8.298.408	-	-	-
Consumer loans	5.921	-	-	-
Credit cards	-	-	-	-
Other	47.194.297	2.924.440	4.301.455	-
Specialized loans	-	-	-	-
Other receivables	1.029.380	-	-	-
Total	68.963.085	3.091.489	6.541.645	-

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the consolidated assets (continued)
5. Explanations on loans (continued)
- 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans: (continued)
- 5.b.3 Loans at measured amortized cost

Prior Period (1)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	53.944.662	2.815.924	4.651.931	68.803
Working Capital loans	9.547.442	393.277	1.914.595	68.803
Export loans	1.550.388	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	8.044.021	-	-	-
Consumer loans	1.304	-	-	-
Credit cards	-	-	-	-
Other	34.801.507	2.422.647	2.737.336	-
Specialized loans	-	-	-	-
Other receivables	557.674	-	-	-
Total	54.502.336	2.815.924	4.651.931	68.803

(1) According to Parent Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 2.232.238 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

	Current Period		Prior period	
	Standard Loans	Loans under Close Monitoring	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	709.071	-	556.905	-
Significant Increase in Credit Risk	-	2.651.648	-	1.436.779

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (continued)
5. Explanations on loans (continued)
- 5.c Loans according to their maturity structure:

Current Period (*)	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	6.305.252	103.568	-
Non-specialized loans	5.275.872	103.568	-
Specialized loans	-	-	-
Other receivables	1.029.380	-	-
Medium and Long Term Loans	62.657.833	2.987.921	6.541.645
Non-specialized loans	62.657.833	2.987.921	6.541.645
Specialized loans	-	-	-
Other receivables	-	-	-

(*) It does not include loans measured at fair value through profit/loss.

Current Period (*)	Standard Loans	Loans Under Close Monitoring	
		Nonrestructured	Restructured
Short-term loans	8.568.159	155.405	-
Non-specialized loans	8.010.485	155.405	-
Specialized loans	-	-	-
Other receivables	557.674	-	-
Medium and Long Term Loans	45.934.177	2.660.519	4.720.734
Non-specialized loans	45.934.177	2.660.519	4.720.734
Specialized loans	-	-	-
Other receivables	-	-	-

(*) It does not include loans measured at fair value through profit/loss.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	404	5.517	5.921
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	404	5.517	5.921
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	404	5.517	5.921

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

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

5. Explanations on loans (continued)

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

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	202	1.102	1.304
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	202	1.102	1.304
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	202	1.102	1.304

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (December 31, 2021: None).

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	484.677	1.209.478
Private	78.111.542	60.829.516
Total	78.596.219	62.038.994

(*)Includes fair value through profit or loss loans

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	78.308.933	61.814.867
Foreign Loans	287.286	224.127
Total	78.596.219	62.038.994

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.496.337	997.287
Indirect loans granted to subsidiaries and associates	-	-
Total	1.496.337	997.287

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

	Current Period	Prior Period
Loans and receivables with limited collectability	232.742	216.068
Loans and receivables with doubtful collectability	1.557.486	572.507
Uncollectible loans and receivables	356.834	336.483
Total	2.147.062	1.125.058

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
Current Period			
Gross amounts before provisions	282.601	1.646.924	212.455
Restructured loans	282.601	1.646.924	212.455
Prior Period			
Gross amounts before provisions	334.966	1.264.856	312.133
Restructured loans	334.966	1.264.856	312.133

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

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
Current Period			
Prior Period End Balance	335.382	1.264.859	481.278
Additions (+)	21.338	2.046	562.221
Transfers from Other Categories of Non-performing Loans (+)	-	15.038	22
Transfers to Other Categories of Non-performing Loans (-)	15.038	22	-
Collections (-)	58.665	313	132.222
Write-offs (-)	-	-	557.916
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	174	380.355	35.439
Current Period End Balance	283.191	1.661.963	388.822
Provisions (-)	232.742	1.557.486	356.834
Net Balance on Balance Sheet	50.449	104.477	31.988

(1) As of March 31, 2022, 192.500.000.000 Group A shares, representing 55% of the capital of Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş., were sold to the Turkey Wealth Fund and at the end of the collection made from the sales amount, the relevant loan was collected in proportion to the Bank's share. However, a depreciation provision is reserved for the entire acquired asset. As of June 30, 2022, the risk for LYY Telekomünikasyon A.Ş., which was allocated for its entirety, was transferred to the follow-up accounts, and the amount in question and its special provisions transferred to the follow-up accounts were accountably deleted from the asset (TL 555.395 thousand). As of December 31, 2022, when the calculation is made by taking into account the loans deducted from the register, the effect of the Bank on the non-performing loan ratio is calculated as 67 basis points.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period			
Prior Period End Balance	761.282	844.026	84.480
Additions (+)	12.681	1	470
Transfers from Other Categories of Non-performing Loans (+)	-	43.839	421.687
Transfers to Other Categories of Non-performing Loans (-)	356.372	109.154	-
Collections (-)	87.582	73.381	38.950
Write-offs (-)(1)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Exchange rate differences of non-performing loans	5.373	559.528	13.591
Current Period End Balance	335.382	1.264.859	481.278
Provisions (-)	216.068	572.507	336.483
Net Balance on Balance Sheet	119.314	692.352	144.795

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	586	-	27.594
Provision (-)	586	-	27.594
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period End Balance	413	1.264.835	72.597
Specific Provision (-)	413	572.498	71.812
Net Balance on Balance Sheet	-	692.337	785

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	283.191	1.661.963	381.787
Provision Amount (-)	232.742	1.557.486	349.799
Loans to Real Persons and Legal Entities (Net)	50.449	104.477	31.988
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	7.035
Provision Amount (-)	-	-	7.035
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	335.382	1.264.859	476.433
Provision Amount (-)	216.068	572.507	331.638
Loans to Real Persons and Legal Entities (Net)	119.314	692.352	144.795
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	4.845
Provision Amount (-)	-	-	4.845
Other Loans (Net)	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	-	23.634	18
Interest Accruals and Rediscount with Valuation Differences	174	380.355	35.439
Provision amount (-)	174	356.721	35.421
Prior Period (Net)	4.686	288.631	13.135
Interest Accruals and Rediscount with Valuation Differences	5.373	559.528	13.591
Provision amount (-)	687	270.897	456

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanations on loans (continued)

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

In case of existence of the collateral elements stated in Article 13 of the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables to be set aside for these, these elements are liquidated as soon as possible as a result of both administrative and legal initiatives and liquidation of the receivables is ensured.

In the absence of collateral, the debtor is provided with an insolvency certificate, but in various periods, intense intelligence is made and the legal asset is applied to determine the acquired assets.

Legal procedures followed before and after; on the financial information of the company when the creditor deemed able to live in the investigation that will be made by the Bank and if it contributed to the economy in relation to firms that dominate considers that contributed to the production, efforts are made to the liquidation of receivables agreement.

5.l Explanations about the write-off policies from the assets:

W Within the scope of the "Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions for These" published in the Official Gazette dated November 27, 2019 and numbered 30961, loans classified as "Fifth Group-Uncollectible Loans", for which there is no reasonable expectation of recovery, can be excluded from the balance sheet. The deduction of the loans that cannot be collected from the records is an accounting application and does not result in the waiver of the right to receivable.

The Bank allocates expected loan loss provisions within the scope of TFRS 9 for the parts of the loans that are not expected to be collected, and the details are given in VIII. Explanations on impairment of financial assets and Calculation of expected credit losses are given under the headings. Amounts written off during the period are disclosed in the footnotes of the financial statements.

As of December 31, 2022, the amount of the Bank's loans written off is TL 557.916. (December 31, 2022: None).

6. Information on held-to-maturity investments

6.a The information was subjected to repo transactions and given as collateral/blocked amount of investments :

	Current Period		Prior Period	
	TP	FC	TP	FC
Collateralised/Blocked Investments	2.264.088	820.706	2.156.751	58.424
Subject to Repurchase Agreements	116.980	2.059.762	-	-
Total	2.381.068	2.880.468	2.156.751	58.424

6.b Information on government debt investments held-to-maturity:

	Current Period	Prior Period
Government Bonds	12.825.981	3.955.703
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	12.825.981	3.955.703

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the consolidated assets (continued)

6. Information on held-to-maturity investments (continued)

6.c Information on held-to-maturity investments :

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	6.195.613	3.321.632
Not Quoted	6.630.368	634.071
Impairment provision (-)	-	-
Total	12.825.981	3.955.703

6.d Movement of held-to-maturity investments within the year :

	Current Period	Prior Period
Balance at Beginning of the Period	3.955.703	3.083.059
Foreign Currency Differences on Monetary Assets	983.655	306.095
Purchases During The Period	6.636.025	419.990
Disposals Through Sales And Redemptions (-)	550.421	162.558
Impairment Provision (-)	-	-
Interest Income Accruals	1.801.019	309.117
Balance at End of Period	12.825.981	3.955.703

(1) Expected credit loss amounting to TL 12.207 is allocated to "Financial asset measured at amortized cost" (December 31, 2021: TL 4.757).

7. Information on investments in associates (net):

7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:

Subsidiaries that were not included in the scope of consolidation because they were not financial subsidiaries were valued according to the cost method.

7.a.2 Information on unconsolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks".

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (1)	7.753	4.876	1.539	-	(219)	(15)	-
2	Ege Tarım	57.464	21.268	44.889	471	-	2.382	-

(1) Represents for the period ended 31 March 2022 financial statements. Prior year profit/loss is obtained from 31 March 2021 financial statements.

Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

Information on associates purchased in the current period

In the current period the Group has not purchased any associates.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

7. Information on investments in associates (net) (continued)

7.a.3 Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	58,23
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	56,79

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İs Faktoring	16 429 140	1 420 458	5 608	1 691 251	-	445 386	131 372	-
2	İs Finansal (1)	36 330 079	3 744 045	46 547	1 796 140	-	826 766	312 623	1 651 504
3	İs Girişim (1)	1 011 126	1 007 356	3 412	10 362	52	732 001	11 976	217 525

(1) Fair value is calculated over the year-end stock market value.

	Current Period	Prior Period
Balance at the Beginning of the Period	775.763	623.769
Movements During the Period	715.850	151.994
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase/Decrease (1)	715.850	151.994
Provision for Impairment (-)	-	-
Other	-	-
Balance at the End of the Period	1.491.613	775.763
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) Includes accounting differences with the equity method.

(2) Non-financial subsidiaries amounting to TL 2.137 are not included in the table (December 31, 2021: TL 1.788).

Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

Information on associates purchased in the current period

In current period the Group has not purchased any associates.

7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	311.134	140.176
Leasing Companies	1.012.259	589.665
Financial Service Companies	-	-
Other Financial Associates	168.220	45.922

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

7.a.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	1.180.479	635.587
Associates Quoted on Foreign Stock Markets	-	-

8. Information related to subsidiaries (net)

8.a.1 Information related to equity component of subsidiaries:

	YF Current Period	TSKB GYO Current Period	Yatırım VKŞ Current Period
Current Period (1)			
CORE CAPITAL			
Paid-in Capital	63.500	650.000	150
Share Premium	-	1.136	-
Legal Reserves	11.359	8.937	47
Other Comprehensive Income/Loss according to TAS	23.175	-	-
Current and Prior Years' Profit	249.255	1.149.455	107
Leasehold Improvements (-)	1.661	-	-
Intangible Assets (-)	363	34	-
Total Core Capital	345.265	1.809.494	304
Supplementary Capital	-	-	-
Capital	-	-	-
Net Available Capital	345.265	1.809.494	304

(1) The information is obtained from financial statements subject to consolidation as of December 31, 2022.

	YF Current Period	TSKB GYO Current Period	Yatırım VKŞ Current Period
Prior Period (1)			
CORE CAPITAL			
Paid-in Capital	63.500	650.000	150
Share Premium	-	1.136	-
Legal Reserves	6.887	8.848	-
Other Comprehensive Income/Loss according to TAS	22.198	-	-
Current and Prior Years' Profit	142.304	79.929	89
Leasehold Improvements (-)	754	-	-
Intangible Assets (-)	578	27	3
Total Core Capital	233.557	739.886	236
Supplementary Capital	-	-	-
Capital	-	-	-
Net Available Capital	233.557	739.886	236

(1) The information is obtained from financial statements subject to consolidation as of December 31, 2021.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102. The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the consolidated assets (continued)

8. Information related to subsidiaries (net) (continued)

8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

8.a.3 Information related to unconsolidated subsidiaries:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Türkiye	99,99	99,99
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	100,00	100,00

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	49.354	41.422	1.915	3.813	-	17.551	7.843	-
2	TSKB SD	12.262	10.549	448	2.385	-	3.428	981	-

8.a.4 Information related to consolidated subsidiaries:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş. (YF)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	89,15	89,26
3	Yatırım Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (1)	3.548.148	347.289	11.124	267.569	3.238	115.056	66.152	-
TSKB GYO (1)(2)	1.817.722	1.809.529	875	3.624	-	1.069.526	124.879	2.695.172
Yatırım VKŞ (1)	176.642	303	-	-	-	66	49	-

(1) The consolidated financial data of the subsidiaries are prepared in accordance with BRSR regulations.

(2) Its fair value is calculated over the year-end stock market value.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the consolidated assets (continued)

8. Information related to subsidiaries (net) (continued)

8.a.4 Information related to consolidated subsidiaries (continued):

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period(2)	Prior Period
Balance at the Beginning of the Period	881.621	581.897
Movements During the Period	1.056.043	299.724
Purchases (3)	-	133.469
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase (1)	1.056.043	166.255
Provision for Impairment	-	-
Balance At the End of the Period	1.937.664	881.621
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) Includes accounting differences with the equity method.

(2) Non-financial subsidiaries amounting to TL 51.970 are not included in the table (December 31, 2021: TL 36.115)

(3) After the capital increase of TL 150.000.000 (full amount) made by TSKB REIT, the Bank acquired TSKB REIT shares amounting to TL 133.469.

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

Subsidiaries disposed in the current period

In the current period, the Group has not disposed any subsidiaries.

Subsidiaries purchased in the current period

In the current period, the Group has not purchased any subsidiaries.

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Explanations and disclosures related to the consolidated assets (continued)

8. Information on subsidiaries (net) (continued)

8.a.5 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	1.937.664	881.621

8.a.6 Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	1.605.723	656.641
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information related to entities under common control

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") on 26 May 2011 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

The capital structure of the Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute, and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. (previous name "Palmira Turizm Ticaret A.Ş.").

The capital structure of Anavarza Otelcilik Anonim Şirketi is designated as 50% of participation Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for TSKB GYO. The main operations of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care.

Bilici Yatırım TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi, owned by TSKB GYO with 50%-50% Bilici Yatırım Sanayi ve Ticaret A.Ş. has been transformed into a company named "Yarsuvat Turizm Anonim Şirketi" together with all its assets and liabilities, as a whole, by changing the type.

Transformation of Bilici Yatırım TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi to Yarsuvat Turizm Anonim Şirketi and after transformation transfer to Anavarza Otelcilik A.Ş. with all its assets and liabilities as a whole was completed with the Merger document of Adana Chamber of Commerce dated 20 December 2019 and numbered 9647.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit/Loss	Prior Year Profit/Loss	Fair Value
Anavarza Otelcilik	10.716	3.671	4.467	185	-	2.476	3.305	-

10. Information on finance lease receivables (net)

10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	75.501	68.056	71.473	65.843
Between 1 - 4 years	129.193	108.587	139.980	127.005
More than 4 years	263.900	203.588	180.885	153.719
Total	468.594	380.231	392.338	346.567

An expected loss provision amounting to TL 97.153(December 31, 2021: TL 74.350) has been allocated to the "Financial Lease Receivables" account.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

10. Information on finance lease receivables (net) (continued)

10.b The information on net investments in finance leases:

	Current Period	Prior Period
Gross investments in finance leases	468.594	392.338
Unearned revenue from finance leases (-)	88.363	45.771
Cancelled finance leases (-)	-	-
Net investments in finance leases	380.231	346.567

10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:

Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

11. Information on derivative financial assets for hedging purposes

There is a positive differences amounting to TL 387.926 related to derivative financial assets for hedging purposes (December 31, 2021: positive differences amounting to TL 256.505).

As of December 31, 2022, the contract amounts and the net fair value carried on the balance sheet of derivative financial instruments designated as hedging instruments are summarized in the table below:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swap	15.582.944	-	134.010	19.085.248	208.148	-
FC	15.582.944	-	134.010	19.085.248	208.148	-
TL	-	-	-	-	-	-
Swap Currency Transactions	10.914.093	387.926	-	7.926.855	48.357	-
FC	10.914.093	387.926	-	7.926.855	48.357	-
TL	-	-	-	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

11. Information on fair value hedge accounting (continued)

11.a.1 Information on fair value hedge accounting

Current Period		Type of Risk	Fair Value Change of Hedged Item (1)	Fair Value of Hedging Instrument (1)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item			Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	8.201	-	(3.496)	4.705
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	93.402	-	(94.182)	(780)
Cross Currency Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(76.245)	80.846	-	4.601

(1) The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

Prior Period		Type of Risk	Fair Value Change of Hedged Item (1)	Fair Value of Hedging Instrument (1)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item			Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	(111.338)	117.468	-	6.130
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(24.900)	24.016	-	(884)
Cross Currency Swap Transactions	Fixed Rate Issued Eurobond	Interest Rate Risk	(72.869)	73.489	-	620

(1) The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

12. Information on tangible assets (net)

The property is located within the Bank's tangible assets are accounted for by the scope of TAS 16 valuation. For the year 2022, appraisal companies authorized by the CMB and BRSA have been appraised, and the value increases based on the appraisal results have been accounted for in the relevant accounts.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	466.570	-	-	721.219	1.187.789
Assets held under finance leases	-	-	-	-	-
Vehicles	2.328	5.296	-	-	7.624
Right to use Securities-Real Estate	10.465	5.693	-	-	16.158
Assets held for resale	-	399	-	-	399
Other	45.745	16.654	(338)	-	62.061
Total Cost	525.108	28.042	(338)	721.219	1.274.031
Accumulated depreciation					
Land and buildings	(1.819)	(881)	-	-	(2.700)
Assets held under finance leases	-	-	-	-	-
Vehicles	(1.075)	(732)	-	-	(1.807)
Right to use Securities-Real Estate	(6.773)	(5.190)	-	-	(11.963)
Assets held for resale	-	(39)	-	-	(39)
Other	(36.080)	(7.469)	254	-	(43.295)
Total accumulated depreciation	(45.747)	(14.311)	254	-	(59.804)
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
Total impairment provision	-	-	-	-	-
Net book value	479.361	13.731	(84)	721.219	1.214.227

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

12. Information on tangible assets (net) (continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	373.474	-	-	93.096	466.570
Assets held under finance leases	-	-	-	-	-
Vehicles	2.535	-	(207)	-	2.328
Right to use Securities-Real Estate	7.699	2.766	-	-	10.465
Assets held for resale	-	-	-	-	-
Other	35.047	11.184	(486)	-	45.745
Total Cost	418.755	13.950	(693)	93.096	525.108
Accumulated depreciation					
Land and buildings	(1.233)	(586)	-	-	(1.819)
Assets held under finance leases	-	-	-	-	-
Vehicles	(750)	(429)	104	-	(1.075)
Right to use Securities-Real Estate	(4.114)	(2.659)	-	-	(6.773)
Assets held for resale	-	-	-	-	-
Other	(31.996)	(4.516)	432	-	(36.080)
Total accumulated depreciation	(38.093)	(8.190)	536	-	(45.747)
Impairment provision	-	-	-	-	-
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Right to use Securities-Real Estate	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
Total impairment provision	-	-	-	-	-
Net book value	380.662	5.760	(157)	93.096	479.361

13. Information on intangible assets

13.a Useful lives and amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of December 31, 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

13. Information on intangible assets (continued)

13.c Cost and accumulated amortization at the beginning and end of the period:

Current Period	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	14.769	(11.260)	16.507	(13.234)
Goodwill	1.005	-	1.005	-

Prior Period	Beginning of Current Period		End of Current Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	12.738	(8.677)	14.769	(11.260)
Goodwill	1.005	-	1.005	-

13.d Movement of cost and accumulated amortization for the period:

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	14.769	1.746	(8)	16.507
Goodwill	1.005	-	-	1.005
Total Cost	15.774	1.746	(8)	17.512
Accumulated Amortization				
Software	(11.260)	(1.982)	8	(13.234)
Goodwill	-	-	-	-
Total Accumulated Amortization	(11.260)	(1.982)	8	(13.234)
Impairment Provision				
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	4.514	(236)	-	4.278

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	12.738	2.031	-	14.769
Goodwill	1.005	-	-	1.005
Total Cost	13.743	2.031	-	15.774
Accumulated Amortization				
Software	(8.677)	(2.583)	-	(11.260)
Goodwill	-	-	-	-
Total Accumulated Amortization	(8.677)	(2.583)	-	(11.260)
Impairment Provision				
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	5.066	(552)	-	4.514

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

13. Information on intangible assets (continued)

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (December 31, 2021: None).

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As of the reporting date, the Group has no intangible assets acquired through government grants (December 31, 2021: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As of the reporting date, the Group has no intangible assets acquired with government incentives (December 31, 2021: None).

13.h The book value of intangible assets that are pledged or restricted for use:

As of the reporting date, the Group has no intangible assets with restricted use or pledged (December 31, 2021: None).

13.i Amount of purchase commitments for intangible assets:

As of the reporting date, the Group has no purchase commitments for intangible assets (December 31, 2021: None).

13.j Information on revalued intangible assets according to their types:

The Group did not revalue its intangible assets as at the reporting date (December 31, 2021: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Group has no research and development costs expensed in the current period (December 31, 2021: None).

13.l Information on goodwill:

Goodwill on Consolidation	Effective Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler A.Ş.	95,78	1.005

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

13. Information on intangible assets (continued)

13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

	Current Period	Prior Period
Net Value at the Beginning of the Period	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
Net Value at the End of Period	1.005	1.005

13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (December 31, 2021: None).

14. Information on investment properties

In the current period, the Group owns three investment properties with a net book value of TL 764.911 (December 31, 2021: TL 336.178) belonging to its subsidiary operating in the field of real estate investment trust. As of December 31, 2022 and December 31, 2021, the table of movement of investment properties is as follows.

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	50.400	-	-	89.460	139.860
Pendorya Mall	185.502	-	-	224.498	410.000
Adana Hotel Project	100.276	-	-	114.775	215.051
Total	336.178	-	-	428.733	764.911

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	37.195	-	-	13.205	50.400
Pendorya Mall	158.430	844	-	26.228	185.502
Adana Hotel Project	83.898	-	(1.892)	18.270	100.276
Total	279.523	844	(1.892)	57.703	336.178

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

15. Information on deferred tax assets

15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Group has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

Assets:	Current Period	Prior Period
Useful life difference of fixed assets	20.768	24.877
Loan commissions accrual adjustment	851.929	536.267
Provisions	12.349	6.794
Employee benefit provision	178.422	134.352
Marketable Securities	-	-
Others (1)	30.909	13.556
Total Deferred Tax Asset	1.094.377	715.846
Deferred tax liabilities:		
Marketable securities	(2.212)	(1.064)
Borrowings commissions accrual adjustment	-	(17.086)
Valuation of derivative instruments	(322.260)	(292.102)
Useful life difference of fixed assets	(1.980)	(2.101)
Others	(43.794)	(6.910)
Total Deferred Tax Liability	(370.246)	(319.263)
Net Deferred Tax Asset	724.131	396.583

(1) In the other item, there is also a deferred tax liability related to hedge accounting amounting to TL 23.350. (December 31, 2021: TL 4.982 tax asset).

	Current Period	Prior Period
Deferred Tax as of January 1 Asset / (Liability) - Net	396.583	173.911
Deferred Tax (Loss) / Gain	437.505	128.226
Deferred Tax that is Realized Under Shareholder's Equity	(109.957)	94.446
Deferred Tax Asset / (Liability) Net	724.131	396.583

15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

There is no temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods. (December 31, 2021: None).

15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (December 31, 2021: None).

16. Explanation on assets held for sale:

	Current Period	Prior Period
Net book value at beginning of period	64.403	64.403
Cash Paid for Purchase	-	-
Expected Loss (-)	64.403	-
Net book value at end of period	-	64.403

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

16. Explanation on assets held for sale (continued)

Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom), has been agreed between all lenders, including the Bank, for the restructuring of the debts provided under the loan agreements and that OTAŞ owns 192.500.000.000 Group A shares, which constitute 55% of Türk Telekom's issued capital and are pledged to provide for the guarantee of existing loans, are owned by OTAŞ and all lenders are directly or The transaction was completed by taking over by a special purpose company established in the Republic of Turkey, of which it is an indirect partner. The Bank participated in LYY Telekomünikasyon A.Ş., which was established within this scope, with a rate of 1,6172% and an amount of TL 64.403. With the restructuring on 17 August 2022, the Bank's participation rate increased to 1,8403% and no fee was paid by the Bank for the increase. The Bank evaluated this subsidiary within the scope of IFRS 5 Standard for Fixed Assets Held for Sale and Discontinued Activities.

As of March 31, 2022, 192.500.000.000 Group A registered shares, representing 55% of the capital of Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş., were sold to the Turkey Wealth Fund and as a result of the collection made from the sales amount, the relevant loan was collected in proportion to the Bank's share. However, as of the current period, the value of the acquired asset has been allocated for the provision of depreciation. The liquidation decision of LYY Telekomünikasyon A.Ş. was taken at the General Assembly Meeting dated 27.12.2022 and the liquidation of the company was registered by the Istanbul Registry of Commerce on 28.12.2022. In this context, the amount of the partnership share, all of which were allocated in its provisions for the previous years and follow-up accounts under the "Fixed Assets Related to Held and Discontinued Activities for Sale Purposes", have been written off from the asset in accounting terms.

17. Information about other assets

17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (December 31, 2021: None).

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:

The Parent Bank is not authorized to accept deposits.

1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

2. Negative differences table related to derivative financial liabilities

Derivative Financial Liabilities Held For Trading (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	117	503	209.013	1.719
Swap Transactions	169.879	827.844	592.257	318.257
Futures Transactions	-	-	-	-
Options	-	-	-	33
Other	-	-	-	-
Total	169.996	828.347	801.270	320.009

(1) Derivative Financial Liabilities for Hedging Purposes amounting to TL 134.010 (December 31, 2021: None) are shown in the "Derivative Financial Liabilities" account.

3. Information on banks and other financial institutions:

3.a General information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	552.003	30.018	269.301
From Foreign Banks, Institutions and Funds	-	70.262.082	89.213	53.885.508
Total	-	70.814.085	119.231	54.154.809

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	251.625	30.018	-
Medium and long-term	-	70.562.460	89.213	54.154.809
Total	-	70.814.085	119.231	54.154.809

3.c Additional information about the concentrated areas of liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	518.410	20.467.150	857.450	14.420.450
Cost	494.348	20.362.637	853.809	14.346.814
Book Value	505.705	21.047.752	879.492	14.927.941

As of January 16, 2018, the Parent Bank issued the debt instrument which have nominal value of full USD 350 Million, redemption date of January 16, 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

As of January 23, 2020, the Bank issued Eurobonds in the amount of USD 400 million. The interest rate of the fixed-rate, 5-year maturity and 6-month coupon payment debt instrument with an amortization date of January 23, 2025 is set at 6%.

As of January 14, 2021, the Bank issued Eurobonds in the amount of USD 350 million. The interest rate of the fixed-rate, 5-year maturity and 6-month coupon payment debt instrument with an amortization date of January 14, 2026 is set at 5,875%.

Yatırım Finansman Menkul Değerler A.Ş. issued debt instruments with a maturity of 105 days and 126 days at a simple interest rate of 23,00 and 22,50 with nominal amounts of TL 356.680.000 and redemption dates of 15 March and 4 May 2023 on 30 November and 29 December 2022.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

3. Information on banks and other financial institutions

3.c Additional information about the concentrated areas of liabilities (continued)

The details of the issues that Yatırım Varlık Kiralama A.Ş. issued as of December 31, 2022 and whose redemption date has not yet come is as follows:

ISIN Code	Fund User	Issue Amount (TL)	Issue Date	Redemption Date
TRDYVKS12326	MLP Sağlık Hizmetleri A.Ş.	70.000.000	15/01/2021	12/01/2023
TRDYVKS42315	MLP Sağlık Hizmetleri A.Ş.	100.000.000	11/10/2022	07/04/2023

(*) The amount of TL 8.270 thousand taken into the Group portfolio is eliminated in financials.

3.d Additional information about the concentrated areas of liabilities:

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	186.296	1.005.076	76.547	698.140
Financial institutions and organizations	348	-	226	-
Other institutions and organizations	185.742	1.004.763	76.127	697.944
Real persons	206	313	194	196
From Foreign Transactions	11	251.483	8	-
Financial institutions and organizations	-	251.483	-	-
Other institutions and organizations	3	-	2	-
Real persons	8	-	6	-
Total	186.307	1.256.559	76.555	698.140

The details about the Debts to the Interbank Money Markets are not included in this table. During December 31, 2022, there are no debts to the Interbank Money Markets (December 31, 2021: None).

4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total

There are no other liabilities which exceed 10% of the balance sheet total (December 31, 2021: None).

5. Explanations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Group has no finance lease payables (December 31, 2021: None).

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 9 cars and 383 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (December 31, 2021: 2 head office buildings, 1 branch, 8 cars and 355 computers under operational leasing). In the current period, the Bank has lease liability with TFRS 16 amounting to TL 2.245 related to operational lease transactions (December 31, 2021 : TL 18.156).

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

5.c Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:

The Group has no sale and lease back transactions as of the reporting date (December 31, 2020: None).

6. Negative differences on derivative financial instruments held for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	134.010	-	-
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
	-	134.010	-	-

(1) Derivative Financial Liabilities for Hedging Purposes are shown in the "Derivative Financial Liabilities".

7. Information on provisions

7.a Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

As of the reporting date, the Bank has no foreign exchange losses on the foreign currency indexed loans (December 31, 2021: None).

7.b The specific provisions provided for unindemnified non cash loans:

As of the reporting date, the Parent Bank's specific provisions provided for unindemnified non cash loans amounts to TL 1.892 (December 31, 2021: TL 1.458).

The Parent Bank has an expected loss provision amounting to TL 47.957 for non-cash loans (December 31, 2021: TL 60.635).

7.c Information related to other provisions:

7.c.1 Provisions for possible losses:

Free provision amounting to TL 900.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. (December 31, 2021: TL 440.000).

7.c.2 Information on employee termination benefits and unused vacation accrual:

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the TAS 19 and reflected the calculated amount to the financial statements.

As of December 31, 2022, the Group reflected in its financial statements severance provisions amounting to TL 38.982 (December 31, 2021: TL 27.863). As of December 31, 2022, the Bank showed a total leave obligation of TL 9.208 (December 31, 2021: TL 5.504) in its financial statements in the provision of employee rights.

The actuarial gain amounting to TL 4.378 after January 1, 2022 have been accounted under equity in accordance with the revised TAS 19 standard (December 31, 2021: TL 7.562 actuarial profit).

Liabilities on pension rights:

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of December 31, 2022, the Bank has no obligations on pension rights (December 31, 2021: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

7. Information on provisions (continued)

7.c Information related to other provisions (continued):

7.c.2 Information on employee termination benefits and unused vacation accrual (continued):

Liabilities for pension funds established in accordance with Social Security Institution

As of December 31, 2022: None (December 31, 2020: None).

Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees

As of December 31, 2022, the cash value of the Bank's principal liabilities of the TSKB A.Ş. Civil Servants and Contractors Relief and Pension Foundation fund was calculated by an independent actuary using actuarial assumptions and according to the actuary's report dated January 24, 2023, no technical or actual deficit requiring provision as of December 31, 2022 was identified.

In this context, taking into account the provisions of the Law explained in the accounting policies regarding "Obligations Regarding the Rights of Employees" numbered 3.17 for the circuit basic obligations of the Fund, the Bank has no liability as of December 31, 2022 for other social rights and payments in the foundation deed that are outside the circuit principal obligations and the health benefits given to the employees.

7.c.3 If the other provisions exceed 10% of the sum of the provisions, the items causing the excess and their amounts:

As of December 31, 2022, the Bank reflected the case provision of TL 61.930 (December 31, 2021: None) in its financial statements.

7.c.4 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:

7.c.1. In addition to the free reserves allocated for possible risks specified in the article, there are general provisions and other miscellaneous reserve amounts allocated for non-cash loans of TL 47.957 (December 31, 2021: TL 60.635).

8. Information on taxes payable

8.a Information on current taxes payable

8.a.1 Information on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes	-	-	-	-
Corporate Taxes Payable	537.980	-	198.690	-
Deferred Tax Liability	-	-	-	-
Total	537.980	-	198.690	-

8.a.2 Information on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes Payable	537.980	-	198.690	-
Taxation of Securities	4.782	-	7.413	-
Capital gains tax on property	-	-	-	-
Banking and Insurance Transaction Tax (BITT)	22.816	-	11.603	-
Foreign Exchange Transaction Tax	-	-	-	-
Value Added Tax Payable	3.206	-	2.696	-
Other	9.550	-	3.762	-
Total	578.334	-	224.164	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

8. Information on taxes payable (continued)

8.a Information on current taxes payable (continued)

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	673	302
Social Security Premiums-Employer	774	349
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	180	86
Unemployment Insurance-Employer	349	171
Other	-	-
Total	1.976	908

8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (December 31, 2021: None).

9. Information on liabilities regarding assets held for sale

None (December 31, 2021: None).

10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank has decided to exercise the early redemption option of the contribution capital bond issuance with a nominal amount of USD 300 million, a redemption date of March 29, 2027 and an early redemption option on March 29, 2022, and the redemption of the bond was realized on March 29, 2022 following receipt of the necessary permission from the Banking Supervision and Regulation Board for the use of the early redemption option.

As of March 30, 2022, the Bank has provided a sustainable subordinated loan with a nominal amount of USD 200 million and a redemption date of March 31, 2027, with a coupon payment every 6 months.

	Current Period		Prior Period	
	TP	FC	TP	FC
Debt Instruments Subject to Common Equity	-	3.829.127	-	-
Subordinated Loans	-	3.829.127	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	-	-	4.029.204
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	4.029.204
Total	-	3.829.127	-	4.029.204

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

11. Explanations on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.800.000	2.800.000
Preferred stock	-	-

11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2.800.000	7.500.000

11.c Information on share capital increases and their sources; other information on increased capital shares in current period:

In line with the decision taken at the Ordinary General Assembly meeting held on 29 March 2022, the Bank has no capital increase in the current period.

In line with the decision taken at the Ordinary General Assembly Meeting held on 25 March 2021, there is no capital increase of the Bank in the current period.

11.d Information on share capital increases from capital reserves:

None (December 31, 2021: None).

11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period (December 31, 2021: None).

11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses. The Parent Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

11.g Information on preferred shares:

The Parent Bank has no preferred shares (December 31, 2021: None).

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

11. Explanations on shareholders' equity (continued)

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TP	YP	TP	YP
From Associates, Subsidiaries, and Entities Under Common Control	394.449	-	141.565	-
Available for Sale Financial Assets	1.055.949	(266.330)	109.015	(216.782)
Valuation Differences	882.550	(266.330)	4.590	(216.782)
Foreign Exchange Difference	173.399	-	104.425	-
Total	1.450.398	(266.330)	250.580	(216.782)

11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	437.850	380.489
Second legal reserve	566	565
Other Legal Reserves Appropriated In Accordance with Special Legislation	1.791	373
Total	440.207	381.427

11.j Information on extraordinary reserves:

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	3.184.155	2.149.632
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
Total	3.184.155	2.149.632

12. Information on minority shares:

	Current Period	Prior Period
Paid-in-Capital	75.894	72.290
Other Capital Reserves	33	33
Share Premium	128	122
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	1.659	1.443
Legal Reserves	486	296
Extraordinary Reserves	724	692
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	14.232	(1.965)
Net Profit or Loss	125.327	16.200
Total	218.483	89.111

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the consolidated off-balance sheet items

1. Information on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	163.786	378.227
Commitments for Money Market Brokerage Purchase and Sales	30.052	116.150
Commitments for Stock Brokerage Purchase and Sales	755.492	(446.791)
Commitments for Letter of Credit	1.543.169	715.188
Commitments from Forward Short Term Borrowing and Transfers	138.750	157.380
Other	2.697.272	1.442.295
Total	5.328.521	2.362.449

(1) The remaining amount of the Parent Bank's commitment to purchase the shares of the Turkish Growth and Innovation Fund (TGIF), which is planned to be established by the European Investment Fund (EIF), and the Parent Bank's TSKB It includes the capital participation commitment amount for the cash capital increase of Sustainability A.Ş.

1.b Possible losses and commitments related to off-balance sheet items including items listed below:

1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credits, surety and acceptance amount to TL 3.570.065 (December 31, 2021: TL 5.370.014).

1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee is TL 3.735.544 (December 31, 2021: TL 2.912.801).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)

1. Information on off-balance sheet liabilities (continued)

1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1.285.669	1.285.669
With Maturity of One Year or Less than One Year	88.233	88.233
With Maturity of More than One Year	1.197.436	1.197.436
Other Non-Cash Loans	6.019.940	6.997.146
Total	7.305.609	8.282.815

1.c.2 Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	1.341.273	90	5.239.470	90	314.704	93	7.151.488	90
Mining	252	-	-	-	228	-	-	-
Manufacturing Industry	998.631	67	2.039.754	35	137.571	41	5.088.358	64
Electricity, Gas, Water	342.390	23	3.199.716	55	176.905	52	2.063.130	26
Construction	2.083	-	-	-	2.059	1	37.220	-
Services	125.390	8	470.296	8	1.442	-	675.794	9
Wholesale and Retail Trade	-	-	357	-	-	-	267	-
Hotel, Food and Beverage	124.010	7	114.964	2	-	-	312.681	4
Transportation and Communication	1.253	-	323.817	6	1.253	-	215.507	3
Financial Institutions	96	-	31.158	1	124	-	147.339	2
Real Estate and Leasing Services	31	-	-	-	65	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	19.550	1	107.547	2	19.551	6	80.557	1
Total	1.488.296	100	5.817.313	100	337.756	100	7.945.059	100

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)

1. Information on off-balance sheet liabilities (continued)

1.c.3 Information on non cash loans classified under Group I and Group II:

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	1.464.571	5.816.958	326.469	7.944.794	19.631	357	6.842	267
Letters of Guarantee (1)	1.143.051	2.568.770	240.564	2.660.952	19.631	-	6.842	-
Bank Acceptances	-	39.643	-	170.742	-	-	-	-
Letters of Credit	321.520	3.208.545	85.905	5.113.100	-	357	-	267
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

(1) Letter of guarantee followed up in Group III., IV., And V. are respectively TL 11, TL 1.900 and TL 2.091.

2. Information related to derivative financial instruments

As of December 31, 2022, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell	Fair Value Hedge
TL	690.671	-	156.200	11.206.566	-	-	-	-	-	97.902	-
USD	79.262	413.995	30.235.028	17.922.170	4.357	4.357	-	-	-	-	21.164.894
EUR	79.286	296.232	7.498.706	8.006.248	2.114	2.114	-	-	-	-	5.332.143
Other	5.138	-	126.317	131.258	2.248	2.248	-	-	-	-	-
Total	854.357	710.227	38.016.251	37.266.242	8.719	8.719	-	-	-	97.902	26.497.037

Prior Period	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell	Fair Value Hedge
TL	573.527	78.803	845.957	6.067.113	4.270	4.270	8.247	7.967	5.019	30.316	-
USD	245.890	869.691	23.643.369	14.061.258	6.088	6.088	7.696	7.696	-	-	23.018.097
EUR	244.978	273.188	5.634.006	8.823.423	1.997	1.997	-	-	-	-	3.994.006
Other	-	-	198.105	201.900	-	-	-	-	-	-	-
Total	1.064.395	1.221.682	30.321.437	29.153.694	12.355	12.355	15.943	15.663	5.019	30.316	27.012.103

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

2. Information related to derivative financial instruments (continued)

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Swap Transactions	1.067.283	352.701	34.934.113	1.798.642	640.156	27.375.039
Interest Rate Swap Transactions	848.533	645.022	40.348.380	354.374	270.358	32.100.092
Forward Transactions	91.864	620	1.564.584	39.734	210.732	2.286.077
Futures Transactions	-	-	-	-	-	31.606
Option Transactions	-	-	17.438	33	33	24.710
Other	-	-	97.902	-	-	35.335
Total	2.007.680	998.343	76.962.417	2.192.783	1.121.279	61.852.859

Fair value hedges

In the year ended as of December 31, 2022, the Bank had hedging swap interest transactions with a nominal amount of TL 26.497.037 (December 31, 2021: TL 27.012.103).

Hedging from the cash-flow risk

As of December 31, 2022 there is no cash-flow hedging transactions (December 31, 2021: None).

3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (December 31, 2021: None).

4. Explanations on contingent liabilities and assets

There are 28 legal cases against the Bank which are amounting to TL 648 as of the reporting date (December 31, 2021: TL 648 - 25 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Parent Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Parent Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stump duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Parent Bank relying on this report.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

4. Information related to derivative financial instruments (continued)

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of July 31, 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the Parent Bank and an amount of TL 12.750 corresponding to the portion that the Parent Bank was obliged to pay for the related period is recognized as income in the prior period.

Due to the ownership of Pendorya AVM, which is built on the real estate owned by TSKB REIT registered in İstanbul Province, Pendik District, Doğu Mahallesi, 105 Map, 865 Island, Plot 64, Sağlam Satış ve Paz. Inc. (Malazlar A.Ş.) Pendik 2nd Civil Court of First Instance, prevention of seizure against IMM Presidency and road contractor Karacan Yapı on the grounds that some of the side road construction around Pendorya AVM passes through the parcels owned by it, He filed a lawsuit with the demand for the collection of TL 7 compensation from the defendants, without prejudice to his rights. TSKB REIT intervened alongside the defendants

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO have been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on May 30, 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on December 24, 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision. The Court decided to apply of Supreme Court's decision to dismiss. The notification of reasoned decision is expected.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

4. Information related to derivative financial instruments (continued)

Beyoğlu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoğlu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoğlu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoğlu Municipality approved the reclaim. However, there has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. That's why, decision was appealed by the company. The Council of State reversed the judgement based on inappropriate zoning plan changes with the decision of 28 March 2014. In addition, a new implementation development plan covering the Fındıklı Building II, which has been canceled by the judicial authorities and which is owned by TSKB GYO, is being prepared by the Municipality of Beyoğlu on December 21, 2010, the 1/1000 Scaled Beyoğlu District Protected Urban Site Protected Development Plan. For this content, TSKB GYO's application were made in writing to the Beyoğlu Municipality on 28 October 2014 in order to plan by taking into account the 1/1000 Scale Implementation Plan which is being prepared by the Municipality of Beyoğlu and the Istanbul Metropolitan Municipality. The court requested the Municipality to ask the plan including the immovable subject to the decision of the Council of State is still in force as a result of the decision of dismissal and that the plan canceled by the court in the letter sent from the Municipality is still valid answered in the form. In the case which was started to discuss again in court; an expert opinion examination was made. The Court has ruled in favor of the Parent Bank by canceling the administrative proceeding. Against decision, within the legal period, Beyoğlu Municipality has applied for the appeal law and it is expected that the file will be sent to Istanbul Regional Administrative Court for examination. The decision to cancel the administrative action given by the Council of State in favor of the Group has been approved and the decision has become final.

A lawsuit was filed by one of the investors of TSKB REIT regarding the cancellation of Articles 5, 7 and 9, which were decided at the Ordinary General Assembly meeting held on April 27, 2018. In the petition, a stay of execution was requested regarding Articles 5 and 7, the request for interim injunction regarding the stay of execution was rejected, and an appeal was filed by the plaintiff. The petition for response to the case and the legal opinion have been submitted. In the first session of the file, it was decided to dismiss the case. The notification of the reasoned decision is awaited.

According to the Legal Department of the Parent Bank, other lawsuits filed against the Parent Bank are not expected to have a significant impact on the financial statements. The provision for a lawsuit filed against the Bank is included in the Note 7.c.3 of Section Five.

5. Custodian and intermediary services

The Group provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (1)				
Short Term Loans	517.807	222.955	348.588	193.490
Medium and Long Term Loans	456.188	4.264.782	361.158	2.330.156
Interest on Non-performing Loans	1.981	16.248	13.607	25.488
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	975.976	4.503.985	723.353	2.549.134

(1) Commission income from loans has been included to the interest on loans.

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (1)	309	-	998	-
Domestic Banks	31.323	10.031	12.500	6.431
Foreign Banks	-	1.863	-	1.257
Branches and Head Office Abroad	-	-	-	-
Total	31.632	11.894	13.498	7.688

(1) Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	3.241	-	4.099	-
Financial Assets at Fair Value Through Other Comprehensive Income	524.371	520.582	337.712	211.750
Financial Assets Measured at Amortized Cost	2.876.981	214.022	560.171	3.375
Total	3.404.593	734.604	901.982	215.125

As stated in the accounting policies, the Bank makes the valuation of the government bonds Indexed to Consumer Prices in its securities portfolio on the basis of the reference index on the date of issuance and the index calculated by taking into account the estimated inflation rate. The estimated inflation rate used in the valuation is updated when deemed necessary during the year. As of December 31, 2022, the valuation of these assets was made according to the annual inflation rate of 85,51% (October 2021-October 2022) (December 31, 2021: 19,89%).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

1. Information on interest income (continued)

1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	54.682	35.746

2. Information on interest expenses

2.a Information on the interest given to the loans used:

	Current Period		Prior Period	
	FC	TL	FC	YP
Banks	8.433	832.274	39.159	186.687
The Central Bank of Turkey	-	-	-	-
Domestic Banks	4.332	333.182	20.263	6.798
Foreign Banks	4.101	499.092	18.896	179.889
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	1.153.468	-	414.295
Total (1)	8.433	1.985.742	39.159	600.982

(1) Commissions given to the Banks and Other Institutions are presented under interest expense.

2.b Information on interest expenses to associates and subsidiaries:

There is no interest expense to its associates and subsidiaries (December 31, 2021: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	FC	TL	FC	TL
Interest on securities issued (1)	514.372	1.294.319	45.622	989.918

(1) Commissions given to issuance have been included to interest expense.

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	679	76
Financial Assets at Fair Value Through Other Comprehensive Income	15.666	8.184
Other	3.409	-
Total	19.754	8.260

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

4. Information on net trading income (net)

	Current period	Prior period
Profit	7.239.328	6.168.210
Gains on capital market operations	90.729	2.120
Gains on derivative financial instruments (1)	5.783.941	4.743.763
Foreign exchange gains	1.364.658	1.422.327
Losses (-)	6.403.503	5.651.826
Losses on capital market operations	15.521	3.306
Losses on derivative financial instruments (1)	3.288.874	2.742.696
Foreign exchange losses	3.099.108	2.905.824

(1) Foreign exchange gain from derivative transactions amounting to TL 3.232.620 is presented in "Gains on derivative financial instruments" (December 31, 2021: TL 3.593.189), foreign exchange loss from derivative transactions amounting to TL (1.077.384) is presented in "Losses on derivative financial instruments" (December 31, 2021: TL (1.815.562)).

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	84.487	45.992
Gains on Sale of Assets	212	779
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	212	610
From Other Asset Sales	-	169
Other (1)	578.259	310.116
Total	662.958	356.887

(1) Also includes the income amount of TL 125.112 related to the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating expenses as well, and it is shown as gross without netting for reporting purposes.

6. Provision expenses related to loans and other receivables of the Group

	Current Period	Prior Period
Expected Credit Loss	2.554.266	1.450.156
12 Months Expected Credit Loss (Stage 1)	151.445	348.226
Significant Increase in Credit Risk (Stage 2)	1.212.068	685.811
Non-performing Loans (Stage 3)(2)	1.190.753	416.119
Marketable Securities Impairment Expenses	16.871	343.557
Financial Assets at Fair Value Through Profit or Loss	-	338.346
Financial Assets at Fair Value Through Other Comprehensive Income	16.871	5.211
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Joint Venture)	-	-
Other	585.286	220.000
Total	3.156.423	2.013.713

(1) As of the reporting date the free provision expense for possible losses amounting to TL 460.000 has been incurred (December 31, 2021: 220.000).

(2) Also includes the free provision amount for the loan belonging to LYY Telekomünikasyon A.Ş., which was written off during the period.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

7. Information related to other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	17,308	4,386
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	14,311	8,190
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	1,982	2,581
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	173,048	74,801
Rent Expenses	4,801	2,065
Maintenance Expenses	5,968	3,415
Advertisement Expenses	1,693	931
Other Expenses	160,586	68,390
Loss on Sales of Assets	-	-
Other (1)	192,222	253,230
Total	398,871	343,188

(1) Includes 125,112 TL expense amount related to the issuances of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating income as income, and it is shown in gross without offsetting for reporting purposes. Tax and fee expenses, excluding corporate tax, amounting to TL 2,388; Includes leave provision expenses amounting to TL 4,248 (31 December 2021: includes tax and fee expenses excluding corporate tax amounting to TL 7,488; leave provision expenses amounting to TL 1,123).

8. Information on profit/loss before tax from continued and discontinued operations before tax

The Group's pre-tax profit on 31 December 2022 increased by 251,18% compared to its previous period pre-tax profit (December 31, 2021: an increase of 58,94%). Compared to the previous period, the Group's net interest income increased by 137,06% (December 31, 2021: up 43,31%).

9. Information on tax provision for continued and discontinued operations

9.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Group's current tax charge for the period is TL 1.588.007 (December 31, 2021: TL 519.118 expense). Deferred tax income is TL 437.505 (December 31, 2021: TL 58.489 deferred tax income).

9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax income calculated on temporary differences is TL 437.505 (December 31, 2021: TL 128.226 income).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

9. Information on tax provision for continued and discontinued operations (continued)

9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (December 31, 2021: None)

10. Explanations on net profit/loss from continued and discontinued operations:

The Group is decreased the net profit by 241,42% for the period ended 30 September 2022 compared to prior period.

11. Information on net profit/loss

11.a The nature and amount of certain income and expense items from ordinary operation is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Group's performance for the period:

The Group has generated TL 10.374.234 of interest income, TL 3.503.653 of interest expenses, TL 341.520 of net fees and commission income from banking operations (December 31, 2021: TL 4.675.202 interest income, TL 1.776.943 interest expenses, TL 155.505 net fee and commission income).

11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in the accounting estimates. (December 31, 2021: None).

11.c Minority share of profit and loss:

The current year loss attributable to minority shares is TL 125.327 (December 31, 2021: TL 16.200 Profit). The total shareholders' equity, including current year profit attributable to minority shares is TL 218.483 (December 31, 2021: TL 89.111).

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below.

	Current Period	Prior Period
Gains on Brokerage Commissions	185.714	81.830
Commissions from Initial Public Offering	49.996	17.314
Investment Fund Management Income	9.699	5.014
Other	77.065	39.869
Total	322.474	144.027

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations related to consolidated statement of changes in shareholders' equity

1. Information related to capital

As of the balance sheet date, Paid in capital is TL 2.800.000, legal reserves is TL 440.207, extraordinary legal reserves is TL 3.184.155.

2. Accumulated other comprehensive income or loss not reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss not reclassified through profit or loss includes valuation differences related to tangible assets, Defined Benefit Pension Plan related to Actuarial gains, related to valuation differences of the shares that are being classified fair value through other comprehensive income are being valued at market value and value increase differences in investment in associates, subsidiaries and entities under common control.

3. Accumulated other comprehensive income or loss reclassified through profit or loss

Changes in Accumulated other comprehensive income or loss reclassified through profit or loss includes related to exchange differences of the shares that are being classified fair value through other comprehensive income and related to revaluation differences of fair value through other comprehensive income.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to consolidated statement of cash flows

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents

In the current period, other income amounting to TL 662.337 consists of gain from sale of assets and non-interest income (December 31, 2021: TL 67.049 other income consists of other income, gain from sale of assets and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL 2.431.289 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and foreign exchange gain and loss (December 31, 2021: TL 1.503.318) consists of derivative financial transaction losses, taxes paid except loss employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss).

In the current period, net increase/decrease in other assets amounting to TL 4.528.036 (December 31, 2021: TL 864.865) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 2.236.561 (December 31, 2021: TL 1.226.811) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

The effect of the change in the exchange rate on cash and cash equivalent assets in the current period amounted to TL 178.759 (December 31, 2021: TL 528.181).

2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:

In the current period, the Group invested TL 22.349 in securities and real estate and TL 1.746 in intangible assets.

In the previous period, the Group invested TL 11.184 in securities and real estate and TL 2.031 in intangible assets Following the capital increase of TL 150.000.000 (full amount) made by TSKB GYO, the Bank acquired shares in the amount of TL 133.469.

3. Information about disposal of associates, subsidiaries, and other investments:

In the current period, the Group generated a cash inflow of TL 276 from the sale of its securities and real estate. The Group has no disposed subsidiaries or affiliates in the current period.

The Group generated a cash inflow of TL 936 due to the sale of securities and real estate owned by the Group in the previous period. The Group has no disposed subsidiaries or affiliates in the current period.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to consolidated statement of cash flows

4. Cash and cash equivalents at the beginning and end of period:

Cash and cash equivalents at the beginning of period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	25	20
Cash Equivalents	3.661.093	1.864.604
Total	3.661.118	1.864.624

Cash and cash equivalents at the end of period:

	End of the Current Period	End of the Prior Period
Cash	2	25
Cash Equivalents	7.641.292	3.661.093
Total	7.641.294	3.661.118

5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 2.756.658 (December 31, 2021: TL 2.006.714) in Turkish Republic Central Bank represent Turkish Lira, foreign currency requirements of the Bank.

6. Additional information related to financial position and liquidity

6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations on the risk group of the Parent Bank

1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

1.a Current period:

Risk Group of the Parent Bank (1)(2)	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	997.287	9.754	489.070	-	13.581	-
Balance at the end of the period	1.496.337	-	592.026	-	-	-
Interest and commission income received	54.471	1.577	30.218	-	186	-

(1) The mutual transactions of the parent company Bank and the fully consolidated subsidiaries have been eliminated.

(2) As of March 30, 2022, the Bank obtained from its Parent Partner a sustainable subordinated loan with a nominal amount of USD 200 million and a repayment of USD 31, 2027, with a coupon payment every 6 months.

1.b Prior period:

Risk Group of the Parent Bank (1)	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	729.154	515	294.689	-	24.747	-
Balance at the end of the period	997.287	9.754	489.070	-	13.581	-
Interest and commission income received	25.526	534	13.543	-	908	-

(1) Mutual transactions between the Parent Bank and its fully consolidated subsidiaries are eliminated.

1.c Information on deposit held by Parent Bank's own risk group:

The Parent Bank is not authorized to accept deposits.

2. Information on forward and option agreements and other similar agreements made with related parties

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	-	15.247	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss		2.901	-	-	(1.788)	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to key management personnel in the current period amount to TL 45.725 (December 31, 2021: TL 23.531).

Türkiye Sınai Kalkınma Bankası A.Ş. and Its Subsidiaries

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Parent Bank

1. Information and disclosures related to the domestic, foreign branches and foreign representations of the Group

	Number	Number of Employees			
Domestic branches (1)	1	438			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

(1) The total number of branches of the consolidated subsidiaries is 10 and the number of employees is 159.

2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:

In the current year, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches. In the previous period, the

Bank did not open any new branches or representative offices, and there was no significant change in the organization of the branches and representative offices.

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to the operations of the Parent Bank

1.a Brief information related to rating carried out by international rating firms:

FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	B-
Long-term Maturity Foreign Currency Outlook (issuer)	Negative
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	B
Long-term Maturity National Currency Outlook (issuer)	Negative
Short-term Maturity National Currency (issuer)	B
Support Note	ns
Base Support Note	AA
National Note	Stable
National Note Outlook	b-
Subordinated Debt Rating Note	B
Financial Capacity Note	B-

International credit rating agency Fitch Ratings updated the Bank's credit ratings on 26 July 2022.

MOODY'S

Reference Financial Rating Note	caa1
Foreign Currency (issuer)	
Long-term Maturity	B3
Outlook	Stable
Short-term Maturity	NP
Domestic Currency (issuer)	
Long-term Maturity	B3
Outlook	Stable
Short-term Maturity	NP
Unsecured Debt-Foreign Currency (issuer)	
Long-term Maturity	B3
Outlook	Stable
Foreign Currency/Domestic Currency MTN Note	(P) B3

Information above represents updated information by Moody's as of August 16, 2022.

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SECTION SIX (Continued)

OTHER EXPLANATIONS (Continued)

I. Other explanations related to the operations of the Parent Bank (continued)

1.b Informations on corporate governance rating of the Parent Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,86% (9,59 over 10) as of October 19, 2022. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,51 (Weight: 25%), 9,75 (Weight: 25%), 9,89 (Weight: 15%), 9,40 (Weight: 35%) over 10 respectively.

1.c Fee information related to the services that the Bank receives from an Independent Auditor or an Independent Audit Firm:

In accordance with the decision of the POA dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor and other independent audit firms, on the amounts excluding VAT, is as follows given in the table. These fees for services rendered to the Bank and its subsidiaries are included.

	Current Period	Prior Period
Independent audit fee for the reporting period	731	618
Fees for tax consulting services	309	199
The cost of other assurance services	2.946	1.535
The cost of other services outside the independent audit	5	-
Toplam	3.991	2.352

II. Other explanations related to the events after the reporting date

The Eurobond with the ISIN code XS1750996206 with a maturity of 5 years and a nominal value of USD 350.000.000, issued by our Bank on January 16, 2018, has come to maturity as of January 16, 2023, and coupon payment and principal redemption have been realized.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The consolidated financial statements as of and for the year ended December 31, 2022 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated February 1 2023 is presented in the introduction of this report.

II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Group's operation.

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