



2020 INTEGRATED

ANNUAL REPORT

For a sustainable world
LET'S ACT TOGETHER

TSKB

ORDINARY GENERAL ASSEMBLY MEETING AGENDA DATED 25.03.2021

- 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 2020,
3. Review, discussion and approval of the balance sheet and profit and loss statements of the Bank for the year of 2020,
4. Approval of the appointment of the members of the Board of Directors substituting the members leaving their post until the date of the General Assembly,
5. Release of the Members of the Board of Directors,

6. Approval of the Board Resolution regarding the determination and allocation of the profit generated in 2020,
7. Election of members and independent members of the Board of Directors,
8. Determination of allowance for the Members of the Board of Directors,
9. Election of the Independent Audit Firm,
10. Presentation of the information regarding the donations made within the year and determination of the upper limit for donations to be made within the year 2021,
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 Corporate Governance Principles of the Capital Markets Board.

CONTENTS

- 4 Corporate Profile
- 6 Vision, Mission, Values
- 8 Value Created
- 10 TSKB'S Portfolio Of Products And Services
- 11 Key Performance Indicators and Ratios
- 12 Milestones from 1950 to 2020
- 14 Firsts&Innovations
- 16 Awards&Achievements
- 18 Chairman's Message
- 20 CEO's Message

Strategy Plan

- 26 TSKB's Strategy
- 28 Stakeholders and Materiality Analysis
- 35 External Factors

Capitals

- 46 Financial Capital
- 66 Human Capital
- 76 Natural Capital
- 96 Intellectual Capital
- 106 Social Capital

- 116 Board of Directors
- 120 Senior Management
- 122 Corporate Governance
- 128 Profit Distribution Proposal
- 129 Summarized Board of Directors' Report
- 130 Other Major Updates on Corporate Operations
- 131 Risk Management Policies
- 134 Audit Committee
- 135 Audit Committee Report

- 140 Independent Auditor's Report on the Annual Report of the Board of Directors
- 142 Independent Assurance Statement for Integrated Annual Report
- 146 Independent Assurance Statement for UNEP-FI Responsible Banking Principles Reporting Index
- 148 Reporting Guidance
- 154 ISO 14001 Certificate
- 155 ISO 14064 Certificates

- 158 Independent Auditor's Audit Report, Unconsolidated Statements and Notes
- 176 Independent Auditor's Audit Report, Consolidated Statements and Notes

- 196 Sustainability Principles Compliance Report
- 207 UNEP-FI Responsible Banking Principles Reporting Index
- 221 GRI Index
- 231 The Statement of Responsibility



To access the PDF copy of the TSKB 2020 Integrated Annual Report, scan the QR code in your browser.
www.tskb.com

ABOUT THE REPORT

QUALIFICATION, PERIOD AND SCOPE OF THE REPORT

TSKB shares its 2020 performance with Integrated Annual Report including its January 1 – December 31, 2020 Annual Report of the Board of Directors. The report is issued on a bank-only basis and excludes the operations of TSKB subsidiaries. The Bank does not deliver any operations abroad. The report only reflects the operations in Turkey.

CAPITAL CLASSIFICATION APPROACH

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

CONTENT OF THE REPORT

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

PUBLICATION FORMAT OF THE REPORT

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

LEGISLATION AND COMPLIANCE TO THE REGULATORY FRAMEWORK

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

Performance disclosures are presented mainly in the context of "GRI Standards" indicators, while progress reporting principles of United Nations Global Compact

which TSKB committed in 2010, Sustainability Accounting Standards Board ('SASB') and Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations are taken into consideration.

2020 Integrated Annual Report of TSKB, which is listed on Borsa Istanbul, is in compliance with the minimum annual reporting requirements of Banking Regulation Surveillance Association (BRSA) and Capital Markets Board (CMB) legal frameworks.

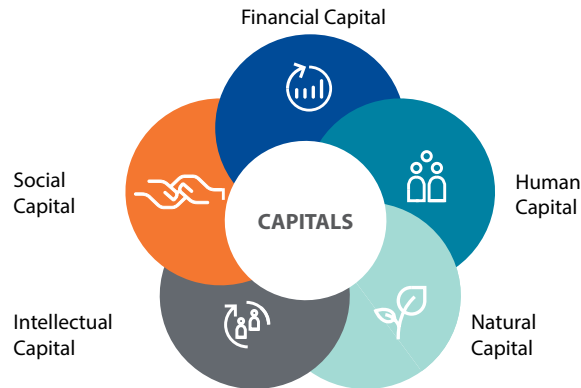
AUDIT

TSKB 2020 Integrated Annual Report and independent audit reports were subject to assurance audit by Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst&Young, EY). It was also subject to limited assurance audit by PwC in terms of non-financial information. Furthermore, TSKB takes audit from BSI under ISO14001 certification for a Sustainable Management System and under ISO 14064 certification regarding the calculation and verification of greenhouse gas emissions from operations.

STATEMENT OF RESPONSIBILITY

According to the statement of TSKB's Senior Management, this Integrated Annual Report; analyzes all subjects and developments in terms of TSKB's ability to create value for its stakeholders, presents integrated performance for the period January 1 – December 31, 2020 and future targets. The Statement of Responsibility is included in the Annexes section of the report. □

NAVIGATION ICONS



Information Box



Information from other reports or releases



Audited non-financial information



Information that can be accessed via Internet

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

Your comments are invaluable.

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

1

TSKB AT A GLANCE



Climate Review

Global greenhouse gas emissions plunged by roughly 2.4 billion tons this year, a 7% drop from 2019 and the largest decline on record, triggered by worldwide Covid-19 restrictions, according to new research from the Global Carbon Project and the universities. The World Bank Group announced a target for 35% of its financing to have climate co-benefits, on average, over the next five years.

For more details:

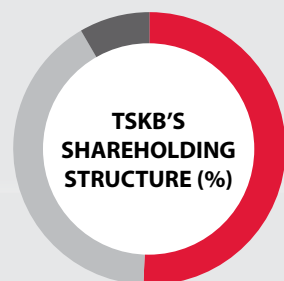
https://www.tskb.com.tr/i/assets/document/pdf/ID_ENG_01_2021.pdf



**GREEN SWAN
PLATFORM**
A TSKB INITIATIVE

CORPORATE PROFILE

TL **51.5** billion
Total Assets



Isbank Group ■ 50,92
Free Float and Other ■ 40,70
Vakıfbank ■ 8,38

TSKB stock is traded on BIST Stars under the ticker "TSKB" with a free float ratio of 38.6%. TSKB's registered capital ceiling is TL 4,500 million whereas its paid-in capital is TL 2,800 million as of 2019 year-end.

The shareholdings of the Bank's Board Members, Auditors, Chief Executive Officer and Executive Vice Presidents are negligible.

TSKB IN NUMBERS

TL **6.1** billion
Shareholders' Equity

70th Year

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

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

Strong long-standing partnership

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

567
Total Employees
(TSKB and subsidiaries)

the corporates to maintain the sustainable development in Turkey.

Wide range of products and services

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

Tackle with the threat of climate change

Distinguishing itself in the finance sector with its unique banking model which provides solutions to tackle with the threat of climate change and supports the transition to a low-carbon economy as well as extending sustainability-themed loans, TSKB's support for investments such as renewable energy and resource efficiency, environmental protection, women empowerment, occupational health and safety and access to inclusive finance accounts for three quarters of its total loan portfolio. TSKB also stands out with its commitment to measure the environmental and social risks of all investment projects regardless of the amount.

In its 70th anniversary, the pioneer of sustainability and inclusiveness, TSKB continued to support Turkish economy, with Corporate Banking, Investment Banking and Advisory Services business lines.

Sustainability and Inclusiveness

Having undersigned many of the leading good practices in the fields of sustainability and inclusiveness in the Turkish finance sector for the last 20 years, TSKB has been the bank which issued the first green bond in Turkey and its surrounding region. In 2020, the Bank established the “TSKB Green Swan Platform” aimed at taking joint action to tackle the climate emergency, the major obstacle to sustainable and inclusive development. The Platform aims to bring together representatives from both the public and the private sector as well as NGOs, international organizations, academics, students and members of the press under its roof.

TSKB'S SUBSIDIARIES

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

One of the building block of capital markets

As Turkey's first and largest investment bank, TSKB has also played a significant role for the development of the capital markets with its operations in this area starting long before the establishment of the CMB and BIST. TSKB guides companies on their growth journeys with its services such as public offering, brokerage of debt instrument issuances and merger/acquisition advisory, and it offers an investment banking experience to its clients at international standards.

Widespread Impact supported with Advisory Services

With its 70 years of knowledge and expertise, TSKB aims to enhance the added value it offers to the business world and all actors of development by restructuring the sector-specific advisory services it provides to the real sector and public institutions. Given its qualified advisory

teams consisting of financial advisors, engineers and economists; the Bank provides effective solutions in the fields of development, transformation and sustainability to the companies operating in Turkey's locomotive sectors.

Synergetic cooperation with subsidiaries

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

TSKB's headquarters is located in Istanbul, operating with 344 people as of the end of 2020. The Bank has a branch in Ankara.

Ratings*	TSKB	Turkey
Long-Term Senior Unsecured Debt	B+	BB-
Long Term Issuer Rating	B3	B2
SAHA	9,56/10	

*Details regarding ratings are included in the audit reports.

VISION, MISSION, VALUES

OUR MISSION

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

OUR VISION

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

OUR VALUES

PIONEERING

We create long-term value for clients, society and the future of our country through a visionary perspective and innovative services.

We keep a close eye on international banking practices and lead our sector as a pioneer with our initiatives.

HUMAN-FOCUSED

With a human-oriented approach for a qualified economic growth, we contribute to employment, equal opportunities and social development through inclusive banking solutions.

We make business decisions together based on reasonable common-mind.

We value team success over individual success.

We work in harmony both within the Bank and with the organizations we cooperate.

We never discriminate among our employees.

We protect the rights of employees and ensure they always have equal opportunities.

We contribute to employees' professional and personal development and encourage them to take the initiative.

SOLUTION-ORIENTED

We provide flexible, fast and efficient solutions in order to optimally meet our clients' expectations and needs.

We are prudent about the quality of the work we do and resolute in fulfilling commitments.

Knowing that we are the leaders in our job, we take responsibility to act timely and swiftly at each stage without a need for any prior guidance.

RELIABLE&RESPECTFUL

We build trustful and respectful relations with all our stakeholders.

We never compromise on a fair, accountable, transparent and ethical banking approach, and the contemporary rules of corporate governance.

We create value for sustainable development through an environment-friendly banking approach, and take responsibility to leave future generations a world to live in.

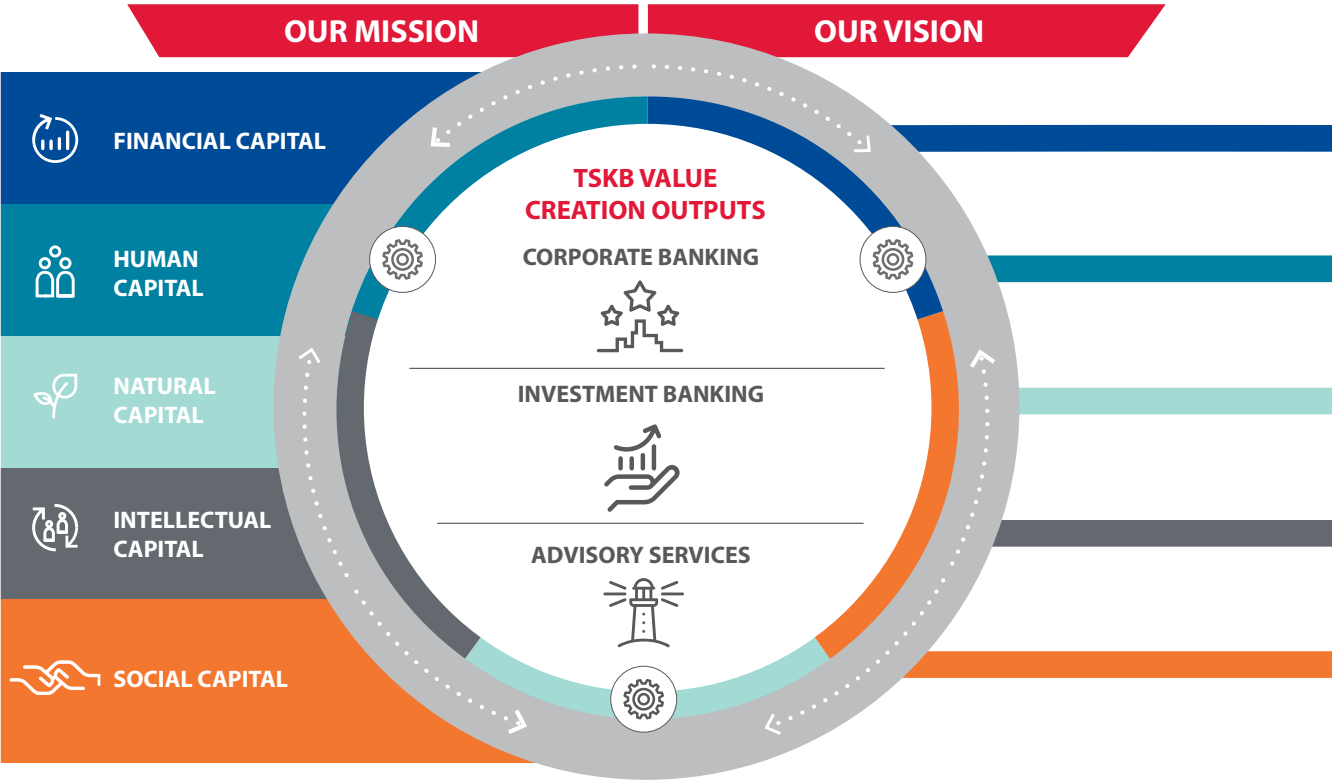


CAPITALS/VALUE CREATION MODEL

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

INPUTS

Diversity of funds and strong liquidity Medium and long term DFI funding Access to state-guaranteed funds Sustainable operational profitability Strong financial structure	
Investing in employees Equal opportunities Social benefits Employee clubs	
Evaluating environmental and social impact in lending processes Well integrated sustainability approach Zero carbon banking Sustainability focus in lending	
Multi-disciplined evaluation and analysis capacity Sectoral expertise Ability to develop themes and products in line with client needs Accumulation of know-how enabling tailor-made advisory services Strong subsidiaries with diverse sectoral expertise	
Inclusiveness approach integrated into the Bank's mission Well-rooted and effective communication with stakeholders Social responsibility projects Sharing experience in various platforms Support to ventures and innovation	



ARE PROCESSED WITH KNOWLEDGE BANKING

Technical, Financial and Sectoral Experience	Strong Capability	Value Creation in Synergy with Subsidiaries	High-Caliber Human Resources and Expertise
Environmental and Social Evaluation	Effective Risk Management	Strategic Approach	Capability of Effective Capital Allocation

OUTPUTS/OUTCOMES

FINANCIAL CAPITAL

Investment and APEX loans: 75% of the loan book
16.6% CAR
13.6% ROTE
4.5% NIM

HUMAN CAPITAL

Management staff: female 51% ✓
Total Staff: female 56% ✓
Board of Directors: female 27% ✓
Turnover ratio*: 0%
Average training hours per employee: ~60 ✓

NATURAL CAPITAL

Best ESG Risk Rating in Turkey
Contribution to reduction of 13 million tons Co₂ emissions ✓
Share of sustainability-themed loans: 74% ✓
100% renewable energy usage & zero carbon banking
BiST Sustainability Index constituent

INTELLECTUAL CAPITAL

469 TSKB Economic Research publications ✓
Increased advisory and subsidiaries' contribution
58 Blog posts ✓
Innovative funding products and new themes

SOCIAL CAPITAL

Increasing support to women employment
Scholarship support for 82 female students
1,079 additional employment via last 3 years' APEX loans
Raising awareness via #Equal Steps, digital platform

SUSTAINABLE AND INCLUSIVE DEVELOPMENT

7

Sustainable Development Goals mainly supported, through loan activities

56%

Ratio of female employees

74%

Share of sustainability themed loans

469

TSKB Economic Research publications

More than 1,500

Additional women employment

*Turnover ratio among high performance employees

TSKB'S PORTFOLIO OF PRODUCTS AND SERVICES

TSKB's products and services constitutes its main outputs.



CORPORATE BANKING

LOAN PRODUCTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT OF TURKISH ECONOMY

Corporate Loans

- Industrial Investments
- Energy and Resource Efficiency
- Environmental Investments
- Renewable Energy
- Women's Employment and Equal Opportunity
- Occupational Health and Safety
- Investments in Developing Regions
- R&D and Innovation
- Health and Education Investments
- Working Capital Finance

Project Finance

- Energy Generation and Distribution
- Hotel, Shopping Mall and Commercial Real Estate
- Logistics
- Transportation/Infrastructure
- Public-Private Partnership Projects
- Mergers & Acquisitions

Other Loan Products

- SME Finance via Wholesale Banking
- Trade Finance Loans
- Country (ECA) Loans
- Financial Leasing
- Export Finance



INVESTMENT BANKING

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

Corporate Finance

- Advisory and Intermediary Services for Equity IPOs
- Intermediary Services for Bond Issues
- Mergers & Acquisitions Advisory

Money and Capital Markets Advisory Services

- International Sale Transactions
- Block Sale Transactions
- Valuation Advisory
- Liquidity Provision
- Capital Markets Advisory
- Market Making Services
- Market Advisory Services

Derivatives

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



ADVISORY SERVICES

PRODUCTS AND SERVICES DRIVEN BY KNOWLEDGE BANKING

Economic Research

- Macroeconomic Advisory
- Export Strategy Advisory
- Development Banking Advisory

Financial Advisory Services

- Financial Planning and Strategy
- Feasibility Services
- Restructuring Services
- Valuation Services
- Sectoral Analysis

Engineering and Technical Advisory Services

- Technical Analysis and Due Diligence
- Feasibility Services
- Industrial Transformation
- Energy and Efficiency Advisory
- Project Based Incentive Reporting

KEY PERFORMANCE INDICATORS AND RATIOS

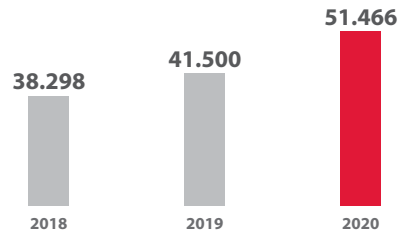
KEY INDICATORS (TL million)	2016	2017	2018	2019*	2020
Total Assets	24,002	28,910	38,298	41,500	51,466
Loan Portfolio	17,371	22,344	28,226	31,415	39,120
Shareholders' Equity	2,928	3,535	4,719	5,167	6,104
Net Profit	476	596	661	776	733

FINANCIAL RATIOS (%)	2016	2017	2018	2019*	2020
Return on Equity	17.6	18.4	17.2	16.6	13.0
Return on Assets	2.1	2.3	2.0	2.0	1.6
Capital Adequacy Ratio**	14.3	17.1	16.2	17.8	16.6

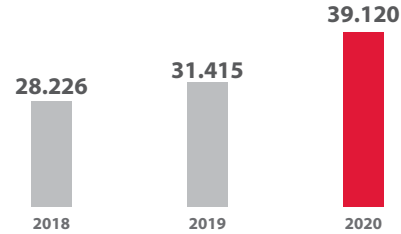
*TMS 27 adjustment were applied for 2019 financials.

**Excluding forbearances

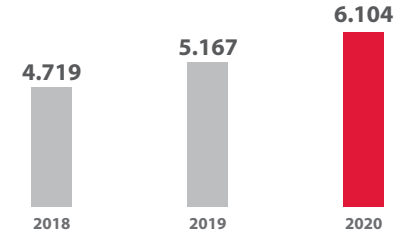
TOTAL ASSETS (TL million)



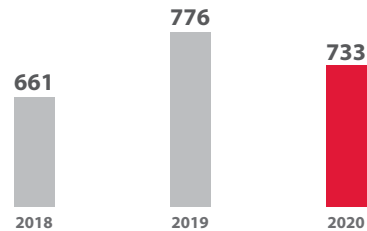
LOAN PORTFOLIO (TL million)



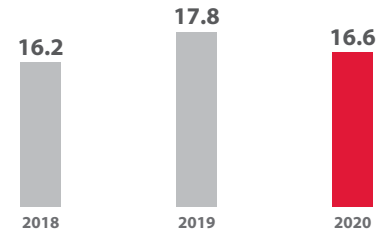
SHAREHOLDERS' EQUITY (TL million)



NET PROFIT (TL million)



CAPITAL ADEQUACY RATIO (%)



MILESTONES FROM 1950 TO 2020

1950's

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

1960's

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

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

1970's

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

1980's

TSKB continued to provide funding to the private sector, though in a more rapid and effective manner. During this period, TSKB embarked on highly important ventures in international relations. For example, it successfully issued a series of "Samurai bonds" in the Japanese capital markets, further bolstering its brand reputation in international markets. Establishing close relationships with European and Japanese financial institutions, TSKB significantly increased its funding resources. TSKB also played an active role in the preparation of Turkey's Privatization Master Plan and served as an advisor for the privatization of the state-owned cement plants.

1990's

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

2020



Whilst the Covid-19 left its mark on 2020, TSKB focused on protecting its employees and stakeholders from the possible risks of the pandemic. Passing quickly and successfully to the remote working model TSKB has continued to support the Turkish economy. During this challenging period, TSKB arranged first sukuk issuance in food sector. Celebrating its 70th anniversary on June 2, 2020 TSKB gave strong messages and emphasized that it is ready for the next 70 years. 16.7 Environmental, Social and Governance (ESG) Risk Rating of 16.7 places TSKB among best banks globally and first among Turkish banks. A new loan model with a focus on the SDG has been developed. Ms. Ece Börü has been appointed as the first woman CEO in TSKB's 70-year history. TSKB established the "TSKB Green Swan Platform" aimed to take joint action to tackle the climate emergency. TSKB became the first Turkish bank to provide a loan linked to the ESG Risk rating.

2000's

TSKB continued working to develop and diversify its international funding resources. During this period, the Bank successfully tapped into international syndication and murabaha markets for the first time. TSKB also began to provide an increasing volume of resources to SMEs through indirect funding in collaboration with commercial banks and leasing companies as part of "APEX Banking" operations. As the concept of sustainability gained prominence globally, TSKB started to design its business processes with a sustainable approach. TSKB became the first Turkish bank to receive ISO 14001 Environmental Management System certification; it also started to offer environment themed loans. During this decade, the Bank laid the groundwork for its social responsibility projects that aimed to raise public awareness about environmental sustainability. For three years in a row, TSKB won first prize for the Eastern Europe Region at the "Sustainable Banking Awards" program, organized jointly by the Financial Times (FT) and the International Finance Corporation (IFC). In addition, TSKB became Turkey's first carbon-neutral bank. TSKB closely followed and monitored sustainability efforts across the globe. Consequently, it became a member of the United Nations Environment Program Finance Initiative (UNEP FI) and publicly announced its commitment to the UN Global Compact.

2010's

TSKB began to intensify on sustainable banking in the 2010s. Standing out with renewable energy and energy efficiency projects, TSKB expanded its theme diversity with sustainable tourism, resource efficiency, occupational health and safety and women's empowerment. Along with its membership at Long-Term Investors Club (LTIC), TSKB took its place in European Long-Term Investors Association (ELTI). In 2011, TSKB has been one of the funding members of International Development Finance Club (IDFC) as the only member from Turkey, where in 2019 it has become a steering committee member. TSKB was included in the BIST Sustainability Index, which is composed of companies listed on Borsa Istanbul and perform well in terms of sustainability. Reinforcing its leading position in sustainability, TSKB becomes the first Turkish bank to issue a "Green/Sustainable Bond" on international markets in 2016. Encouraged by the interest shown in this issuance, TSKB breaks a new global ground and issues a Subordinated Sustainable Bond. Following these issuances, TSKB started publishing Allocation and Impact Reporting as first in Turkey. In 2018, TSKB secures the largest fund ever in its history. The loan agreement worth USD 400 million signed with the International Bank for Reconstruction and Development (IBRD). The Bank defines its advisory solutions as "products of collective wisdom" to offer the business world as well as investors an increasing range of value-added services. TSKB successfully completes 63 advisory projects in more than 20 sectors in 2018. In 2019 TSKB becomes one of the Founding Signatories of the 'Principles for Responsible Banking' developed by the United Nations Environment Programme Finance Initiative (UNEP FI).

FIRSTS&INNOVATIONS

1950's

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

1960's

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

1970's

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

1980's

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

1990's

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

2000's

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

2010's

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

2020

The first women CEO appointment

Green Swan Platform establishment

SDG Mapping Project for the loan portfolio

Best Environmental, Social and Governance (ESG) Risk Rating in Turkey

The first new loan disbursement with SDG Loan Model

The first club loan linked to ESG risk rating

The world's first Sustainable Lease Certificate



GREEN SWAN
PLATFORM
A TSKB INITIATIVE

AWARDS&ACHIEVEMENTS

BANKING AWARDS

Investing&Financing Category Finalist (2019)
Finance for the Future

Energy Finance Deal of the Year (2019)
Bonds&Loans Turkey

M&A/Acquisition Finance - Second place (2019)
Bonds&Loans Turkey

Structured Loan Deal - Third place (2019)
Bonds&Loans Turkey

Low Carbon Hero of the Year (2019)
Sustainable Production and Consumption Association (Süt-D)

Project Finance Deal of the Year (2018)
Bonds&Loans Turkey

M&A/Acquisition Finance Deal of the Year (2018)
Bonds&Loans Turkey

Structured Loan Deal of the Year (2018)
Bonds&Loans Turkey

Natural Resources Finance Deal of the Year (2018)
Bonds&Loans Turkey

Syndicated Loan Deal of the Year (2018)
Bonds&Loans Turkey

Bond Deal of the Year (2018)
Bonds&Loans Turkey

Best Syndicated Loan in Central and Eastern Europe Tredaş (2017)
EMEA Finance

Best Syndicated Loan in Central and Eastern Europe Aksa Natural Gas Distribution and Kazancı Holding (2017)
EMEA Finance

Best Infrastructure Deal Galataport (2017)
EMEA Finance

Best Privatization Deal in the Middle East and Africa Galataport (2017)
EMEA Finance

Syndicated Loan Deal of the Year (2017)
Bonds&Loans Turkey

Transport Finance Deal of the Year (Runner-Up) (2017)
Bonds&Loans Turkey

Best Infrastructure Project Kızıldere 3 Geothermal (2016)
EMEA Finance

Best National Resource Project Finance Yeniköy Kemerköy (2015)
Bonds, Loans&Sukuk Turkey

Best-Structured Finance Project/Etlik PPP (2015)
Bonds, Loans&Sukuk Turkey

CORPORATE GOVERNANCE AWARDS

Women Empowered Boards Special Award (2018)
Sabancı University Corporate Governance Forum

Company with the Second Highest Corporate Governance Rating Score (2015)
Turkey Corporate Governance Association (TKYD)

Highest Score in Multi-Stakeholder Approach for Transparency in Corporate Reporting (2015)
Transparency International Turkey

SUSTAINABILITY AWARDS

Sustainability Leaders 50 List - 4th place (2020)
Fast Company Magazine

Asia's Top Sustainability International Superwomen (2020)
CSR Works International

Structured Finance Deal of the Year (Winner) (2017)
Bonds&Loans Türkiye

International Bond Deal of the Year (2017)
Bonds&Loans Türkiye

Sustainable Bond Issuance of the Year (2016)
IFR

Green/Sustainable Bond Issuance of the Year (2016)
Global Capital

Low Carbon Hero (2016)
Sustainable Production and Consumption Association (Süt-D)

Low Carbon Hero (2015)
Sustainable Production and Consumption Association (Süt-D)

Climate Disclosure Leadership (2015)
CDP



THE CHAIRMAN'S MESSAGE

Dear stakeholders,

2020 will go down in history as the year of the Covid-19 pandemic.

The fight against the pandemic became the most important agenda item for all countries on a global scale in 2020. Although the degree of success achieved in tackling the virus has varied between different regions, it is clear that most countries moved in the same direction on the economic front.

Central banks and regulatory authorities focused on achieving a rapid revival of economic activity. Expansionary policies and asset purchase programs have become a prominent action plan to stimulate recoveries in the production and service cycle, which has been interrupted by social distancing and restrictions.

The United States, EU, China, the United Kingdom and a number of developed and developing countries mobilized economic rescue and stimulus packages which were on a scale unprecedented in our recent history, and which have comprehensively supported households and companies. Interest rates plunged during this process. In its January 2021 report, the IMF estimated that the world economy contracted by 3.5% in 2020.

Although we leave the year 2020 behind us, the pandemic still remains as an important fact in our lives. The way of doing business, the way we continue our daily lives, production and supply chains, global trade and commodity prices have all been affected by the pandemic, which has taken us to the new normal.

Turkey was one of the few countries to close the year with positive growth.

In these unprecedented conditions of 2020, Turkey focused primarily on public health with its proactive and attentive management approach and put in place the necessary restrictions since March.

Interest rate cuts and expansionary monetary policies applied elsewhere in the world were also implemented in our country. Affected sectors and households were supported with asset acquisitions, liquidity support and loan programs.

The low interest rate environment in the first half of the year precipitated an increase in inflation. From the second half of the year, the authorities managing the economy returned to a policy focused on price stability. This shift in emphasis turned the priority back to maintaining fiscal discipline and ensuring Turkey's sustainable growth.

In our opinion, Turkey's economy, which returned to a path of positive growth in the third quarter of 2020, will undergo a recovery on the back of the developments depending on the vaccination process in 2021.

We would like to express our gratitude to our health workers.

When we look at the success achieved in the health field in 2020, it is clear that the timely measures which were taken and decisively implemented played a major role in Turkey taking its place among the countries to have managed the pandemic process well and emerge from 2020 with relatively little damage.

The success achieved is down to the extraordinary efforts of the health workers. The Ministry of Health of the Republic of Turkey and all the members of our health system, spread throughout the country, who have worked so diligently since the first cases of the virus were detected. At the same time, the thorough implementation of the test and trace schemes played a major role in managing the number of cases and leading to the relatively low number of patients to be affected by the disease.

On behalf of myself and the Board of Directors of TSKB, I would like to express our gratitude, blessing and thanks to the health workers, for their superhuman efforts and devoted work during the pandemic.

As celebrating our 70th anniversary, we remain dynamic and focused on the future

Our journey, which began in 1950, has witnessed great changes in the world and in our country. TSKB entered the 21st century as a key player in every stage of Turkey's integration with the world economy. It has taken on the mission of contributing to the development of the country and the well-being of its stakeholders by undertaking numerous pioneering activities.

With the focus on sustainable banking which the Bank has adopted in the last three decades, TSKB has positioned itself at a point which is exactly in line with the realities of the world and the country. Focusing on sustainability is not a new phenomenon for TSKB; even before the term was widely used, the Bank had progressed with its practices centred on the environment, the economy, development, prosperity, employment and most importantly on people since its establishment and has built up valuable know-how in this area.

As we entered the 21st century, our past was instrumental in both helping us easily internalize the concept of sustainability, which our industry has been recently been getting to know and understand, and in our rapid evolution in terms of organizational competencies.

Today, sustainability is synonymous with the name of TSKB. Our global business relationships, the initiatives we are a party to, the innovations we undertake, the pioneering work we do, the themed and long-term finance packages we provide, the knowledge

On behalf of myself and the Board of Directors of TSKB, I would like to express our gratitude, blessing and thanks to our health workers for their superhuman efforts and devoted work during the pandemic.



we share and many other elements are the building blocks which constitute our strength in the field of sustainability and our competitive value proposition.

An accelerating interest in sustainability during the pandemic

The pandemic serves as a warning that the future of our planet and humanity is under severe threat. What gives us hope is that the global financial markets, business world and regulatory authorities have heeded this warning and entered a rapid process of action.

In summary, we feel hopeful for the solution of problems as the notion of sustainability, which we have been advocating with determination for many years, implementing in our business practices and explaining to our stakeholders, and our predictions are increasingly being adopted.

An approach that sees sustainability as a benchmark and constant path

TSKB accepts sustainability as the anchor of its main strategy. Our primary goal is to focus on projects related to sustainability and the Sustainability Development Goals (SDG) and to integrate them in

our business. With the decisive implementation of this lean strategy, we will continue to strengthen our contribution towards tackling climate change and to support Turkey's sustainable growth and development.

The other aspect we care passionately about to share knowledge, awareness and our social contribution. The Green Swan Platform, which we implemented in the challenging conditions of 2020, aims to reach a wide audience as a climate initiative. The aim of the platform is to bring all those who are stakeholders in the climate crisis under the same roof to generate ideas and solutions through multilateral dialogue, to share and, through a ripple effect, spread our influence.

Look forward to the future

It is our belief that as long as global and collective action continues unabatedly, the advanced technological competencies and know-how will enable humanity to contain the climate crisis. TSKB will press ahead on its path as a bank that is efficient, producing, sharing and demonstrating its impact within the scope of the SDGs in 2021 and beyond.

Our management philosophy, which carefully balances risks and opportunities prudently, will allow us to generate added value in the short, medium and long term without compromising our priority of sustainable growth and revenue generation.

The strong and sustainable support of our shareholders and investors will remain our most valuable guide in our journey towards transformation of our potential into performance.

On behalf of myself and our Board of Directors, I would like to take this opportunity to thank our clients and other stakeholders, especially our human resources, and to wish you all the best of health, prosperity and peace in 2021.

H. ERSİN ÖZİNCE
The Chairman of the Board of Directors

CEO'S MESSAGE

Dear stakeholders,

The World and our country experienced the year 2020 under the social and economic impacts of the Coronavirus pandemic.

TSKB, which managed the specific aspects of this special period with an agile approach, maintained its sustainability-oriented lending activities without interruption in 2020. At the same time, our Bank strengthened the value proposition it offers to its clients with its range of innovative products and services while maintaining its qualified support for the Turkish economy.

Another year in which felt our power to change and adapt quickly...

The pandemic was a time when TSKB felt its power to change and adapt. We will remember 2020 as a year in which we tested all of our structures and measured our durability amidst the sudden changes in the market.

According to our financial results, which were realized in line with our projections, TSKB's total assets increased by 24% in 2020 to TL 51.5 billion. Our total cash and non-cash loan portfolio, which indicates the direct contribution of our Bank to the real economy, grew by 22.5% in the same period to reach TL 44.1 billion.

Our shareholders' equity expanded by 18% to TL 6.1 billion, while our Bank posted an annual net profit of TL 732.8 million for the period.

Another issue I would like to touch upon within the scope of our 2020 performance was our rapid response to the pandemic conditions. TSKB demonstrated a proactive approach as the first coronavirus cases appeared in Turkey. It immediately put in place a number of measures to protect the health of its stakeholders, especially its human resources and clients.

The measures which we rapidly implemented at our headquarters office and the Ankara Branch serve as an important reminder of our agility and organizational strength. Most of our headquarters office employees switched to remote working immediately after the announcement of the pandemic, and this rate reached 87% at the end of the year.

Focus on client needs during the pandemic

During the pandemic conditions, we have always sought to remind our clients which we have an active business relationship with; "We think of you more than you do!"

The process of change and interaction experienced in 2020 has clearly demonstrated the interdependence of economic actors on each other. In an integrated value chain, the economic soundness of each link closely concerns and shapes the sustainability and future of other participants. By setting out on this simple reality, TSKB worked closely with its clients in challenging market conditions and provided USD 1.3 billion of cash loans to back the economy. On the other hand, it also offered re-structuring and additional support to its clients where necessary.

Throughout the year, financing continued to be extended to projects with a positive environmental and social impact in accordance with the UN Sustainable Development Goals (SDGs). Renewable energy projects accounted for one third of the new loan disbursements. Other areas which came to the fore included gender equality, inclusiveness and Covid-19 related financing.

We celebrated our 70th anniversary

Founded in 1950, TSKB celebrated its 70th anniversary in 2020. Although we were unable to physically meet our stakeholders, especially our employees, we experienced this special anniversary with a sense of pride that comes with being part of TSKB, sticking together, working hard and planning for the future.

The Sustainability, Environmental, Social and Governance (ESG) criteria and the SDGs are TSKB's main operating anchors. We are committed to bringing a positive impact, providing a benefit and sharing in our activities. In the coming period, we will also continue to be the solution partner for the projects we believe in and which overlap with our principles, and we possess the capital elements necessary for this.

The value and importance of sustainability

The unexpected conditions of 2020 have served to confirm the value and importance of the sustainability concept, on which TSKB has been focusing for many years. On a global scale, with both companies and investors focused on ESG issues, sustainability has turned into a value which is rapidly gaining traction, whose importance is being better understood.

The key importance of internalizing sustainability in the business cycle and generating a wide-ranging impact in the fields of social and governance as well as the environment form the basis of TSKB's perspective in banking. TSKB believes that the approach it adopts will play a key role in tackling the climate crisis, which is considered to be the greatest threat facing humanity. In addition to the strong know-how which the Bank has acquired in this field over the past 30 years, TSKB has also developed a multi-stakeholder network of relationships which supports the proliferation and spread of the impact it generates.

We work in communication and cooperation with all of our stakeholders within the framework of our responsibilities in the fields of sustainability, inclusive banking and development banking, which are shaped in line with our rich history backed by our extensive experience and our mission, and we embody our efforts to build the future. In addition to the work to mitigate climate risks, our Bank continues to carry out initiatives in the field of lending and extending resources and in investment banking, while providing the innovative products linked to the ESG.

Embracing sustainability in the business cycle and generating a wide-ranging value on the social, governance and environmental aspects forms the pillars of TSKB's banking philosophy.



Ranked as the sixth best bank in the world on the basis of its ESG risk rating

I am proud to declare that our long-term work in the field of sustainability has been recognised as a new global success story in 2020.

With its ESG risk rating of 16.7 rated by one of the most globally recognized institutions, TSKB became the best ranking bank in Turkey and the 6th best ranking bank in the world among 372 banks in the world.

TSKB will maintain its commitment to the management of the ESG risk factors going forward. The Bank will deploy its transformative power of financing as a valuable source of leverage to increase the positive contributions of its clients and business partners to sustainable development.

We continue to diversify our funding structure in accordance with our focus

Our Bank continued its efforts on thematic and long-term funding in 2020.

The Covid-19 funding agreement of USD 200 million, which was signed with the Asian Infrastructure Investment Bank (AIIB), was completed during the pandemic, where every contribution to the economy is of vital importance. The loan package provided a valuable contribution in development banking, helping to solve the difficulties facing the real sector and increasing resilience.

Immediately after being granted our ESG rating in 2020, TSKB signed the first loan agreement linked to its ESG risk rating. It is our belief that as the ESG risk rating improves, our Bank's cost of funding will be positively affected.

In 2020, TSKB also completed the renewal of the Sustainable Finance Framework which forms the basis of the sustainable bond issuances, which the Bank plans to carry out in the period ahead. In January 2021, as we were preparing our report, our Bank carried out the first Eurobond issuance of the year in the Turkish

Immediately following the rating score we received in 2020, TSKB signed the first loan agreement linked to the ESG risk rating. It is our belief that as our ESG risk rating improves, our Bank's cost of funding will be positively affected.

CEO'S MESSAGE

finance sector under the theme of sustainability. The USD 350 million in funding obtained from the issuance of the 5-year sustainable bond marks a new step in our support for the Turkish economy and the real sector.

An approach focusing on the Sustainable Development Goals (SDGs)

We successfully completed our SDGs mapping project, which we had been working on for the previous two years. With this project, we are able to quickly and clearly measure our contributions to SDGs with respect to our outstanding loan portfolio and new disbursements, and report them. We believe that it is important to transparently share our contributions to SDGs through our loan activities with our stakeholders. Among the SDGs which we have contributed with our lending activities, SDG 1, 7, 8, 9, 12, 13 and 17 stood out.

With the new loan model developed by TSKB and its subsidiary, ESCARUS, TSKB defines the self-assessments of companies on social, economic and environmental issues within the scope of the globally accepted SDGs. The Bank develops the action plans necessary to produce bring about an environmental and social impact together with its clients. Economic actors who take concrete steps within the scope of this cycle, are offered access to affordable financing.

A similar approach is applied in the field of investment banking. In this line of business, we provided alternative financing opportunities to our clients with the transactions which we implemented in 2020. One of these transactions which combines sustainability with investment banking is our Issuance of Sustainable Lease Certificate, which is the first of its kind in the world with a wide array of features. TSKB advisory

activities are also focused on contributing to the development and transformation journeys of our stakeholders in line with our mission. What our world and humanity need is a green economic recovery. TSKB is committed to fulfilling its duty in this area in cooperation with its stakeholders.

The Green Swan Platform

In the second half of 2020, we launched the Green Swan platform.

The aim of the platform is to create an initiative that brings together representatives from the public and private sectors and the NGOs, international organizations, academics, students and members of the media, and which bolsters awareness, the development of new ideas and sharing on issues such as the climate crisis.

We place tremendous importance on raising awareness with regard to climate change. Under the umbrella of the Green Swan Platform, we closely follow global and national developments. On this occasion, we invite all of our stakeholders to think together and be a party to the solution in order to achieve a green economic recovery.

With the "On Climate" report series, which is our first issue in this context, we started to share data with a diverse range of content on climate change and its effects with our stakeholders. We will continue to enrich ourselves with our collaborations.

Both our world and humanity need a green economic recovery. TSKB is committed to fulfill its duty on this issue in cooperation with its stakeholders.

Human resources drive our leadership

The employees at TSKB are the architects of the success we achieved in 2020, and have brought us a great deal of pride.

As each of us is a representative of a long-established tradition, we also work with the goal of being the staunch advocates of innovation and the future.

We attach tremendous importance to update and improve and improving the competencies of our human resources. Re-learning, adapting their skills to situations, capacity building, career planning and building the future indicate our main responsibilities to each of our employees in this sense.

With its firm steps towards the future, it is my sincere belief that TSKB will move forward with the a broader and integrated focus on human resources management and carry its power of leadership to the future by promoting the feeling that each employee owns their work.

The Future...

The future will be redefined and shaped by human resources, strategic thinking, execution, agility and digitalization as a continuous journey.

Human capital is one of the key capital item at TSKB. With their flexibility and capacity to relearn, their management skills and a keen sense of belonging, the employees of TSKB are the guarantee of our future. Strategic thinking, execution and agility will be the other determinants of the future. It is imperative that we update our strategy, our plans and our behaviour sets in line with the changing trends and to be able to do this very quickly.

Digitalization, one of our priority issues, also stands to be one of the key determinants which will shape our future.

An important part of our experience in 2020 concerns our work in the field of information technology. In line with our commitment to protect the health of our employees, the remote access and communication infrastructure, which we developed as our teams switched to a format of working from home, served to confirm our ability to provide an uninterrupted service. We believe our improvement efforts in this context will also support our efficiency.

Turkey's economy has a vibrant and adaptive structure. We have full faith in the potential and future of our country. If steps are taken quickly on the axis of sustainability, Turkey stands to gain from the economic changes taking place in the world. Turkey's geopolitical position will offer strategically valuable opportunities for our country in the near future, while the trends towards regionalization and even localization of the supply chain and production will gain pace.

Our focus is on the country's sustainable development.

While our experience in the field of sustainable banking will bolster our financial performance in 2021, it will also play a role in increasing the value we generate for the Turkish economy with our strong capital and liquidity.

Our goal is to continue to enrich our products, services and solutions range with innovative products geared towards the environment, social and governance by focusing on our activities in the fields of reducing the impacts of climate change and providing inclusive development in the coming period. In this context, we will act decisively in line with our financial and non-financial targets which we determined on the basis of capital items. I would also like to underline the point that we aim to provide USD 8 billion in SDGs related financing between 2021 and 2030.

On behalf of myself and the TSKB management team, I would like to thank our employees, business partners and clients, especially our shareholders, for their contributions and support.

While our experience in the field of sustainable banking bolsters our financial performance in 2021, it will play a role in increasing the value we produce for the Turkish economy with our strong capital and liquidity.

We express our wish to see you on healthy, productive and happy days in a world where environmental, social and governance issues are widely adopted, and where the swans are white.

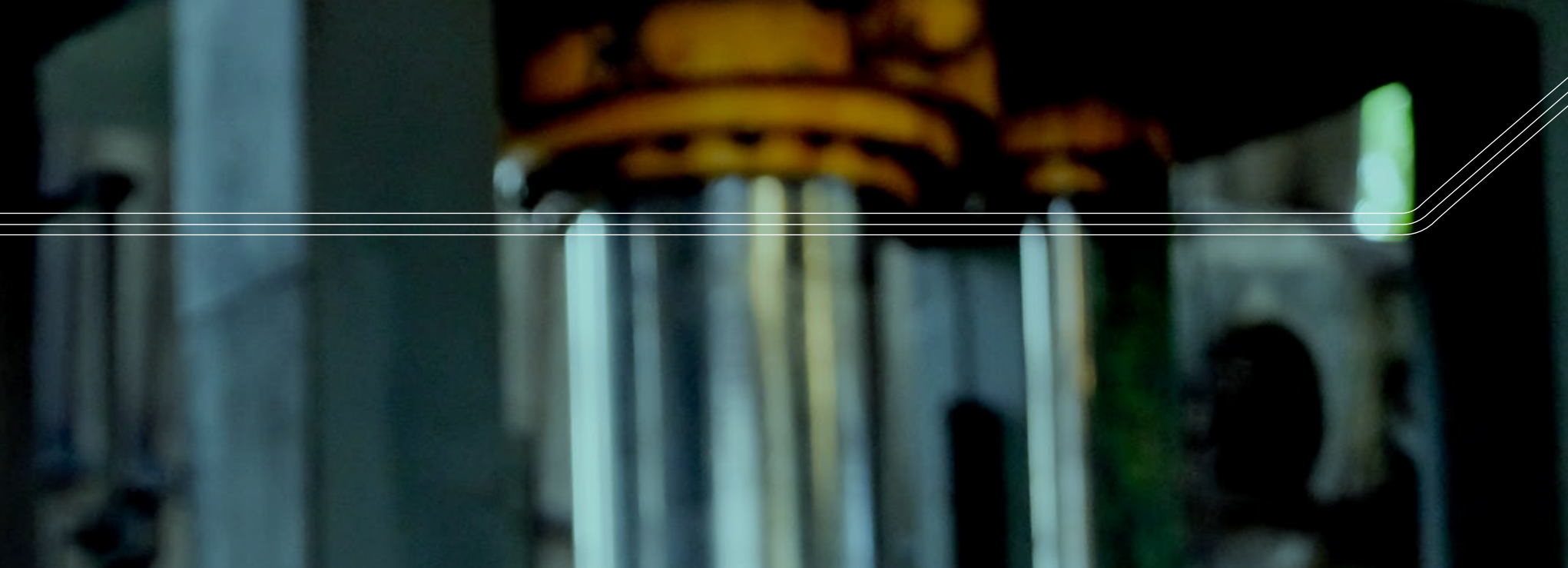


Respectfully,
Ms. ECE BÖRÜ
Board Member and CEO

2

STRATEGY, PERFORMANCE AND EXPECTATIONS





Increasing Turkey's Resilience against the COVID-19 Pandemic

As the COVID-19 has evolved into a multidimensional global crisis with economic, financial and social ramifications, the multifaceted nature of the problem requires that the struggle should be a multilateral one. International development and finance institutions have announced a number of action plans with many countries around the world, including Turkey, taking steps on both the fiscal and monetary policy fronts.

For more details:

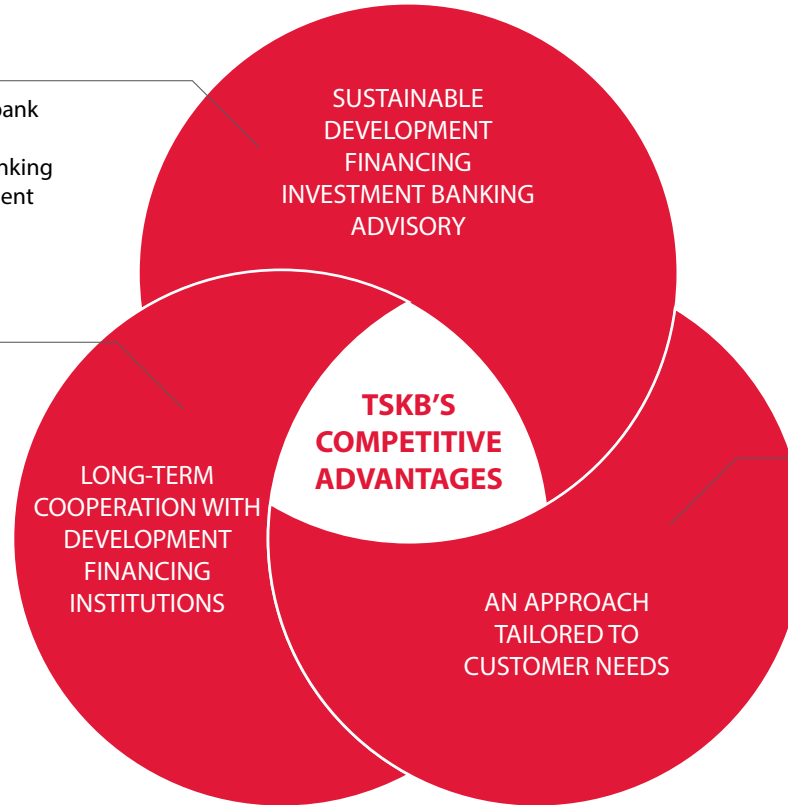
<https://www.tskb.com.tr/i/assets/document/pdf/Increasing%20the%20resilience%20of%20Turkey%20under%20the%20Covid-19%20pandemic.pdf>



CREATING VALUE FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

TSKB is a private development and investment bank which provides services in cooperation with all stakeholders in the fields of both investment banking and advisory, as well as in sustainable development finance.

TSKB has access to the long-term funds of development finance institutions and operates in long-term, effective cooperation with development finance institutions by taking into account the economy and the needs of our country.



TSKB conducts banking that produces focused solutions by realizing and identifying client needs by anticipating changing conditions.

TSKB is Turkey's development and investment bank with a long-standing history dating back 70 years. It aims to be the business partner to be consulted first and preferred by its stakeholders in driving Turkey's economic, environmental and social development with its high value-added services in the fields of corporate banking, investment banking and advisory.

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

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

TSKB'S FOCUS AREAS

- Combating climate change
- Supporting the transition to a low carbon economy
- Maintaining the high-calibre human resources
- Undertaking development projects and supporting the SDGs with the three main business lines
- Strong financial performance and efficiency
- Strengthening international collaborations and developing new collaborations
- Strong corporate governance & effective risk management
- Overseeing equal opportunity inside and outside the institution
- Maintaining synergistic cooperation with the Group companies

TSKB takes into account its goals, competencies, strategic objectives, the market conditions and the expectations of its stakeholders when planning for the future. The Bank evaluates current and future resource needs within the scope of capital framework. It takes care to ensure that its strategy and resources come together on the right scale in its execution plans.

ABOUT THE FUTURE

When designing its future strategy, TSKB takes into account the following in setting out its focus.

- Healthy balance sheet growth
- Strong capital structure
- High efficiency
- Sustainable profitability
- Elements of compliance with the market and stakeholder expectations

As TSKB moves forward, it will continue to invest in the competencies that will ensure its continued strength and competitiveness.

In this context, the Bank will continue to develop new strategic collaborations and invest in human resources.

STRATEGIC PLAN

Stakeholders and Materiality Analysis

STAKEHOLDER COMMUNICATION

TSKB sets itself apart from commercial deposit banks with its 70-year history of development and investment banking. TSKB also differentiates itself within the framework of its strategy of creating value for inclusive and sustainable development, including its primary stakeholders and areas of focus.

It is of critical importance for TSKB to determine the priority issues in line with the expectations of its stakeholders.



STAKEHOLDER ANALYSIS STUDY

Reflecting its integrated perspective to its strategy and all business processes, it is of critical importance for TSKB to determine the material issues in line with the expectations of the stakeholders.

TSKB, which regularly contacts all stakeholder groups within the scope of its business cycle, carries out large-scale stakeholder analysis at regular intervals to align its strategy and material issues to be on the same axis

as those of its stakeholders and to share transparent information regarding stakeholder expectations in its reporting. Preferably, the bank repeats its stakeholder analysis efforts every two years taking into account its long-term strategy and business model. It takes into consideration the important developments realised in the year after the stakeholder analysis is conducted and additional stakeholder views as an additional input into the realized stakeholder analysis study. The results of stakeholder analysis studies also serve as an important basis for the Bank's integrated reporting activities.

TSKB, which attaches tremendous importance to sustainable dialogue with its stakeholders, benefits from the feedback it receives, which serves as a valuable and guiding source of input in many subjects and the following areas;

- determination of strategic priorities,
- establishing policies and procedures,
- reviewing existing collaborations and the creation of new collaborations,
- development of social responsibility projects

The determination of the issues contained in this report is based on the stakeholder analysis carried out in the November-December 2020 period. The stakeholder analysis mentioned was carried out entirely through digital media in line with Covid-19 measures.

In the next step, a quantitative survey study was carried out, which would collect stakeholder views on specified issues, assess TSKB's stakeholder perceptions and analyse the importance of the specified issues. Once prepared, the survey was communicated through digital platforms to a sample group deemed to represent TSKB's stakeholder universe in line with the opinions of the relevant departments which are in regular communication with the stakeholders.

Following the completion of the survey process, materiality analysis was carried out based on the feedback received from stakeholders. As a result of the evaluation studies carried out, material issues were determined by taking into account the Bank's strategy and the internal and external stakeholder expectations. In addition, the issues determined as a result of the quantitative analysis were discussed from the perspective of TSKB's long-term strategy and current conjuncture. Seven issues were found to stand out within the framework of the Bank's strategic focus both for the present time and the near future.

The expectations of the stakeholders were found to be in line with TSKB's long-term strategy. The expectations of the priority stakeholders were found to be in line with TSKB's long-term strategy. When considering the Bank's strategic focus, the following 7 areas stood out as material areas:

- Financing of economic, environmental and social development in line with the SDGs
- Combating climate change and supporting and financing adaptation to climate change
- Sustainable growth and revenue creation
- Inclusiveness, ensuring equal opportunity and prevention of all forms of discrimination
- Strengthening solid relations and enhancing cooperation with international financial institutions and development finance institutions (DFI)
- Investment in human resources, employee development and increasing employee satisfaction
- Diversification and development of the products geared towards environmental and social development

The focus on creating value for Turkey's inclusive and sustainable development is an integral part of TSKB's mission. The Bank pledged its support for the SDGs set out in the United Nations Global Compact, which it signed in 2010. In line with its mission and this commitment, the concept of sustainable banking and its sub-themes have been internalized by the Bank, especially in the last 20 years, and integrated

The stakeholder expectations are classified under 7 related topics by taking into account the Bank's strategic areas of focus.

- **Supporting financing to combat climate change and to adapt to climate change**
 - Supporting and financing of combating climate change and adaptation to climate change
 - Management of the Bank's environmental and social impacts
- **Maintaining high-caliber human resources**
 - Investing in human resources, employee development and increasing employee satisfaction
- **Strong financial performance and efficiency**
 - Sustainable growth and revenue creation
 - Customer satisfaction
 - Carrying out new investments in digitalization and emerging technologies, with measures to address cyber attacks and data security
- **Strengthening international collaborations and developing new collaborations**
 - Enhancing relations and cooperation with national and international fund providers and development organizations
- **Creation of development projects and support for the SDGs in the three main business lines**
 - Diversification of the products which create benefits for the environment and social development
 - Financing of economic, environmental and social development in line with the SDGs
 - Financing efforts to combat economic, environmental risks and social disasters
 - Social responsibility projects which will raise awareness in the field of sustainability
- **Strong corporate governance and effective risk management**
 - Full compliance with corporate governance principles and effective risk management
- **Overseeing equal opportunity both inside and outside the institution**
 - Inclusiveness, ensuring equal opportunity and prevention of all forms of discrimination

into all work processes of the business model. the SDGs are of primary importance to the Bank and its stakeholders. Financing of economic, environmental and social development in line with the SDGs also covers the following most material issues such as combating climate change and supporting and financing adaptation to climate change, inclusiveness and diversification and development of the products geared towards environmental and social development.

TSKB is one of the leading institutions in Turkey in the fight against climate change and compliance financing. Since soon after turn of the millennium, TSKB has measured the internal impacts it creates from its direct activities, set target and action plans and outsourced regular external audits. The Bank, which holds ISO 14001 and 14064 certification, established the Climate Risks Working Group in 2020 which would not only manage direct impacts, but also study and evaluate indirect impacts.

Aiming to incorporate climate risks into all work processes and analyse the indirect impacts arising from lending activities, the Bank has accelerated its work on this issue by taking into account the publications and tools published by the TCFD (The Task Force on Climate-Linked Financial Disclosures) and UNEP-FI (the UN Environment Programme Finance Initiative) on climate risks. With the priority of combating climate change and compliance financing, the Bank started financing renewable energy projects in the 2000s and added the energy and resource efficiency projects to its loan themes in the 2010s. In addition to these themes, the Bank also focuses on projects which reduce impacts on the environmental and climate. Through such efforts, the ratio of sustainable loans within the Bank's total portfolio currently stands at 74%. On the other hand, since 2007, TSKB has been evaluating the environmental and social impacts of all investment projects, regardless of their amount, and takes lending decisions by taking into account the potential risks and impacts identified. Global climate change and the efforts to mitigate the effects of climate change will be

STRATEGIC PLAN

Stakeholders and Materiality Analysis

one of the major issues which will need to be tackled in Turkey and in the world in the coming period. TSKB will continue to increase the support it extends to efforts to prevent climate change going forward by developing new products and services for combating climate change and adapting to climate change.

TSKB's contributions to Turkey's development are based on the solid funding structure which it has established as a result of deeply rooted relations and collaborations with international finance institutions and development finance institutions. TSKB pursues an approach geared towards increasing the effective collaborations established with these institutions and fund diversity, while determining its material issues and the strategy it has developed in light of these issues. Therefore, it is as critical for these institutions that the Bank demonstrates a sustainable financial performance as it is for the shareholders. The priority of sustainable growth and revenue generation is an indispensable factor for the Bank in achieving its mission and realising its strategies. The Bank determines its future goals and plans its activities in line with this focus. In addition, its investments in human resources and digital solutions ensure that the Bank's activities are sustainable by enabling an uninterrupted service.

The inclusiveness internalized in the Bank's mission is reflected in the daily work routine of the institution as well as its activities. The principle of equal opportunity is an integral part of the Bank's human resources policy. While there were three women on the Board of Directors, women accounted for 56% of all bank employees at the end of 2020. Again, as an extension of this approach, there is no difference in the pay ratio between men and women working at the Bank. TSKB continues its financing activities in ensuring inclusiveness and equal opportunity while preventing all forms of discrimination. TSKB successfully realized its goal of extending USD 250 million in financing to both

The expectations of the stakeholders were found to be in line with TSKB's long-term strategy.

support women's employment in our country and the economy in regions affected by the influx of refugees. TSKB will continue to support equal opportunity going forward, both among its employees and through its activities.

TSKB considers its human resources as the building block of its successful and sustainable performance. For this reason, TSKB places the utmost importance on the continuous development of its employees, their satisfaction with the institution and the environment in which they work, their sense of belonging and the benefits they provide. The pandemic experience in 2020, which will continue to have an impact for some time to come, has once again demonstrated the importance the Bank has placed on its human resources. The Bank put in place all necessary infrastructure and improvements to ensure that employees could work efficiently and safely from home, and a rapid transition was achieved. As of the end of 2020, almost all employees were working from home, at a rate as high as 87%. During this period, all training for the continuity of employee development was carried out online. Webinars were presented in different areas ranging from stress management to positive psychology and new business models in parallel with the pandemic.

Another material issue for the Bank is the diversification and development of products to support environmental and social development. TSKB, which has a long history and extensive experience in sustainable banking, deploys this know-how needed to implement innovative products. In May, the Bank was ranked as the best bank in Turkey on the basis of its environment, social and governance (ESG) risk rating,

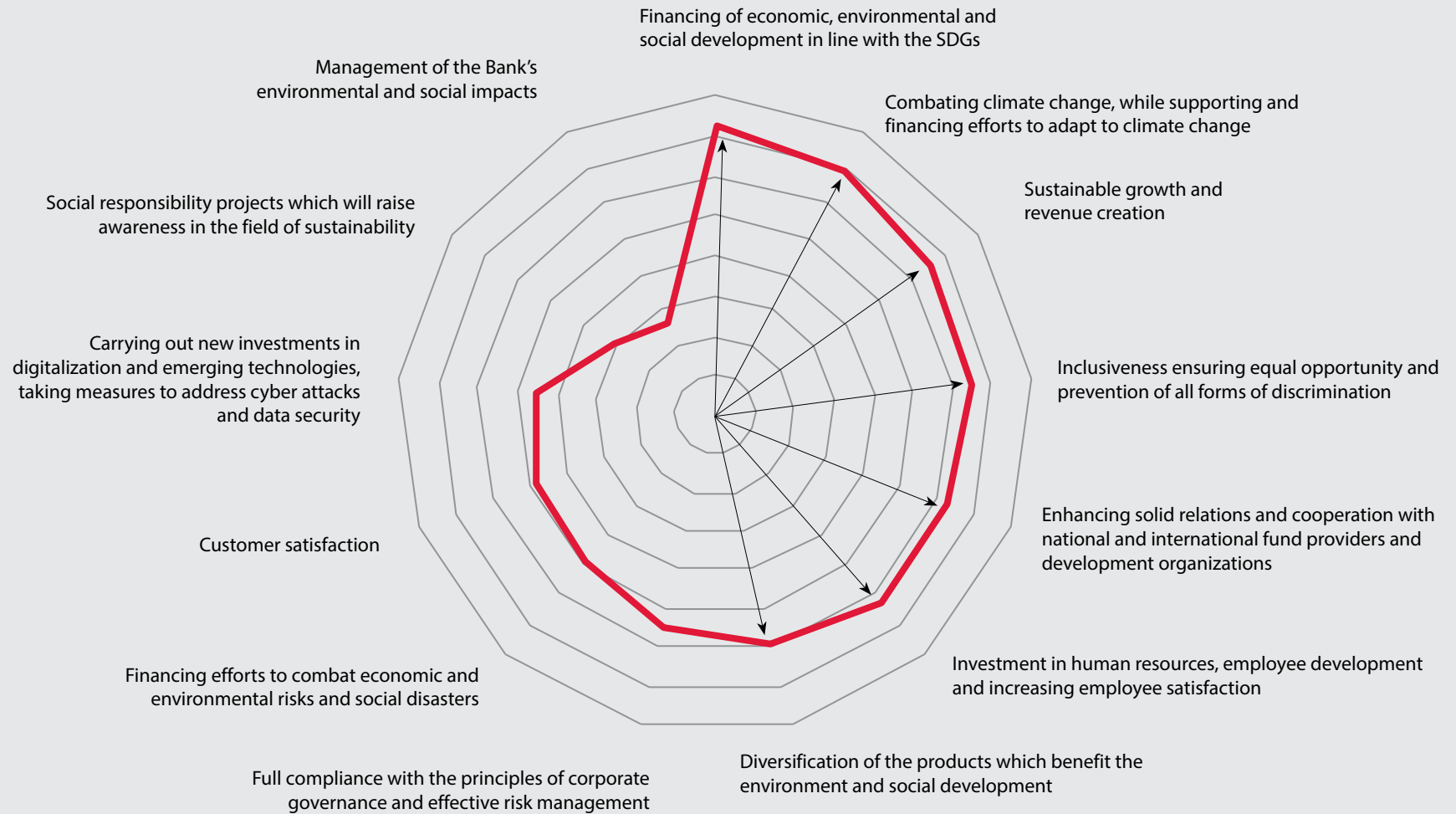
and the 6th best in the world among 372 banks. In November, the Bank signed the first loan agreement to be linked to its ESG risk rating, in what was a first of its kind in Turkey. In the same year, the Bank implemented the SDGs loan model, which it developed with its subsidiary, Escarus. TSKB also updated its sustainability framework to issue sustainable bonds in 2021.

The other topic areas, apart from the seven areas assessed by taking into consideration TSKB's long-term strategy and the environment in which it operates, are of indispensable importance for TSKB. These topics are among the topics identified with the Bank within the framework of its core mission and activities. Detailed information on the place of the other topics in the TSKB strategy can be found in the table on page 32.

RESULTS AND EVALUATION OF THE MATERIALITY ANALYSIS

The materiality matrix covering the TSKB management and all stakeholders, which were determined as a result of the stakeholder analysis, are presented on page 31.

The materiality analysis underlines that TSKB is developing in harmony with all its stakeholders, while approaching the country's qualified development from a perspective oriented towards sustainability and responsible banking.







STRATEGIC PLAN


Stakeholders and Materiality Analysis

THE REFLECTION OF THE MATERIAL AREAS IN THE INTEGRATED REPORT

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

Material Issue	Relevant Stakeholders (Internal/External)	Materiality Strategy	SDGs	Bank's relevant strategy focus	Related Objectives
Financing of the economic, environmental and social development in line with the SDGs	The TSKB Management / Finance Institutions, Development Finance Institutions, the Customers, Non-Governmental Organizations (NGOs)-Media, Industry Representatives	TSKB was established to support the development of the Turkish private sector and its aim is to promote sustainable development. With themed loans and APEX Banking, the investment and growth projects of the private sector in Turkey are financed by/through TSKB, regardless of sector and size.	9 11 17	Creating development projects and support of the SDGs with the three main business lines	
Combating climate change	The TSKB Management / the Customers, Development Finance Institutions, NGOs and the Media	Combating climate change and transition to a low carbon economy are key issues for TSKB. TSKB, which carries out pioneering work on combating climate change, renewable energy and energy efficiency, works in cooperation with its clients on the management of the risks arising from climate change.	7 11 13 17	Combating climate change and Supporting the transition to a low carbon economy	
Sustainable growth and revenue creation	The TSKB Management, the Employees, the Subsidiary Employees / Development Finance Institutions, Finance Institutions	TSKB's aim is to contribute to Turkey's sustainable development. Maintaining and developing its strong financial performance and is also crucial in ensuring its access to foreign sourced capital. In other words, sustainable financial performance is a key criterion for TSKB.	8	A strong financial structure and maintaining healthy asset quality	
Inclusiveness and equal opportunity	TSKB Management/ Development Finance Institutions, NGOs and the Media	Achieving social gender equality is vital to ensure sustainable development. It is clear that there is a need for financing resources for women's empowerment in Turkey. TSKB offers gender equality-themed loans in cooperation with development finance institutions. It embodies its support for women's empowerment in business and social life.	8	Overseeing equal opportunity inside and outside the institution	

The relationship between the SDGs and TSKB's objectives based on capital elements is set out in the tables on pages 32-34 with the following icons.

 This is associated by giving the number and colour of the SDG.

 This icon shows the relevant related capital target.

Material Issue	Relevant Stakeholders (Internal/External)	Materiality Strategy	SDGs	Bank's relevant strategy focus	Related Objectives
Strong collaborations with international finance institutions and development finance institutions (DFI)	The TSKB Management/ Finance Institutions, Development Finance Institutions, Industry Representatives	For the medium and long-term success of TSKB, a private development bank, it is important to ensure continuity of its access to international financial resources.	8 17	Strengthening international collaborations and developing new collaborations	F1
Investment in human resources	The TSKB Management, Employees, Subsidiary Employees	Employee development is one of the top priorities for TSKB's management. TSKB considers human resources as the building block of a successful and sustainable performance. TSKB and its subsidiary employees prioritize their personal and professional development and have the opportunity to continuously develop themselves with the projects carried out.	8	Maintaining high-calibre human resources	İ8
Diversification and development of the products for environmental and social development	TSKB Management/ Finance Institutions, Development Finance Institutions, Customers, Industry Representatives	The diversification and development of the themed loans offered by TSKB in accordance with its core mission serves many priority issues such as resource diversity, client satisfaction, collaborations with financial institutions.	7 9 11 13	Creation of development projects and support of the SDGs with 3 main business lines	D1 D1 D11 F6 S1 S2
Corporate governance	The TSKB Management/ Development Finance Institutions, the NGOs and the Media	Most of the financing provided by TSKB is sourced internationally. In terms of continuity of access to these resources, continuity of compliance with globally Accepted corporate governance principles and transparency are of great importance.	8 16	Strong corporate governance & effective risk management	F1 İ6 F1

STRATEGIC PLAN

Stakeholders and Materiality Analysis

Material Issue	Relevant Stakeholders (Internal/External)	Materiality Strategy	SDGs	Bank's relevant strategy focus	Related Objectives
Financing of efforts to combat economic and environmental risks and social disasters	TSKB Management/ Finance Institutions, Development Finance Institutions, Customers, NGOs, the Media, Industry Representatives	The effective management of the risks associated with economic, environmental and social disasters and financing is of great importance in order to ensure sustainable development. In particular, the Covid-19 pandemic in 2020 revealed how the financing for risk and disaster management is a priority issue.	3 11	Production of development projects and support of the SDGs with 3 main business lines	D3 D4 D5 D6 S1
Customer satisfaction	TSKB Management/ Customers	In a highly competitive market, it is vital to ensure the absolute satisfaction of clients. TSKB provides support to its clients in all matters they need with affordable and diverse financing resources, high quality investment banking and advisory services.	8	Strong financial structure and maintaining healthy asset quality	F1 D3 F6 S5
Digitalization	TSKB Management/ Customers	The issue of digitalization is vital in ensuring TSKB's activities are effective, efficient and resilient. In an increasingly digitalising world, the importance of issues such as rapid access to information, effective use of digital channels and data security will continue to increase.	9	Strong financial structure and maintaining healthy asset quality	F6 I1 I3 F3
Social responsibility projects which will raise awareness in the field of sustainability	The TSKB Management/ the NGOs, Industry Representatives	TSKB supports Turkey's sustainable development with its products and services. For TSKB, the social responsibility projects which it creates in parallel with Turkey's sustainable development are important both in providing direct support in the economic, environmental and social areas and in raising awareness of the related issues.	4 5	Production of development projects and support of the SDGs with 3 main business lines	S3 S6
Management of the Bank's environmental and social impacts	TSKB Management/ Development Finance Institutions, NGOs and the Media	Within the scope of the sustainable development mission, it is vital that TSKB measures and manages every impact created. The Bank manages all kinds of environmental and social impacts arising from its operations, even if they are at a level that can be ignored, with international management systems. TSKB has also adopted pioneering practices in the sector in the management of environmental and social impacts and risks, which are the indirect impacts of the projects it finances.	5 6 7 11 13	Combating climate change and supporting and financing adaptation to climate change	D1 D2 D3 D4 D5 D6 D7 D8 D9 D10 D11 D12



STRATEGIC PLAN

External Factors

ECONOMIC DEVELOPMENTS

GLOBAL ECONOMIC DEVELOPMENTS

A global economy brought to a standstill by the shock of the pandemic

Following the slowdown in 2019, the global economy ground to a standstill in 2020 due to the measures aimed at containing the COVID-19 pandemic. While the first shock was overcome after a raft of monetary and fiscal policy measures were put in place in a number of countries, the decrease in the number of cases and the normalization steps taken during the summer months supported the recovery in economic activity. The developments on vaccines were other factor behind more positive expectations over outlook. However, downward risks to the medium-term outlook would remain high until the pandemic was fully contained.

A contraction in world trade volumes

World trade volume, which had been recovering at the beginning of 2020, contracted by 5.9% YoY in real terms in the January-November 2020 period. Preliminary data indicates that the recovery in the third quarter followed a fragile course in the last quarter. The manufacturing industry purchasing managers' index (PMI), which had stood at 50.1 at the end of 2019, sunk to its lowest level ever in April, at 39.8, before recovering to 53.7 by November 2020. The service PMI index, which gradually recovered from 23.7 in April to peak at 52.9 in October, eased back slightly to 52.2 in November. Country based results exhibited a diverging picture; with the pandemic spreading again, service sector indices dipped into negative territory, especially in European economies.

Non-oil commodity prices return to their pre-pandemic levels

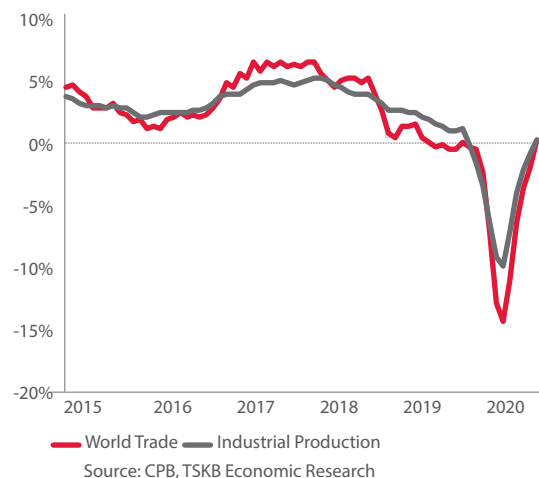
As a result of the expansionary monetary and fiscal policy steps and the search for safe havens, gold prices rose to above USD 2,000 per ounce during the year.

Although the recent progress in vaccine development has limited the rise in gold prices, they remained more than 20% higher than their end-year level. Weak global economy led to declines in commodity prices, while lowering inflationary expectations. The average price of a barrel of Brent crude oil, which was USD 64.3 in 2019, declined from the beginning of 2020 with the slump in oil prices continuing into mid-April with Brent crude prices sliding to below USD 16/bbl, before following a wobbly recovery in the following months to over USD 50/bbl with the support of optimism generated by the progress in vaccine development in November. Similar movements were observed in other commodity prices, with decreases in prices remaining relatively limited, while rises later in the year took prices to above their levels at the beginning of the year.

Weak demand suppressing inflation...

Falling commodity prices and vulnerabilities in the growth outlook led to downward pressure on inflation and interest rates. Inflation in the United States, which edged up to above 2% at the end of 2019, declined sharply in the first period of the pandemic to 0.2% in May 2020. Inflation gradually edged higher again in the following period and increased to 1.2% as of October. The annual rate of inflation in the Eurozone declined from 1.3% to -0.3% over the same period. Compound yield on the benchmark U.S. 10-year Treasury bond, which had generally been on a downward trend in 2019, decreased from 1.9% at the end of 2019 to 0.5% in the first quarter of 2020. During the same period, the compound yield on Germany's 10-year government bond decreased from -0.2% to -0.8%. In the following period, as a result of the limited improvement in global economic expectations and recovery in risk appetite, the compound yield on the benchmark US 10-year Treasury bond increased to 1.0% while compound yield on Germany's 10-year government bond inched up to -0.5%. The overall decline in bond yields in developed countries was influenced by the search for safe havens

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



AVERAGE POLICY INTEREST RATE IN DEVELOPING AND DEVELOPED ECONOMIES



STRATEGIC PLAN

External Factors

and the bond purchase programs being undertaken by the central banks of developed countries.

High volume of securities purchases

The US Federal Reserve lowered its policy rate, which was within a 1.50% to 1.75% band at the end of 2019, to a 0.50%-0.75% band in the first stage, and then to a 0.00%-0.25% band. At the same time, the FED purchased the Treasury and private sector bonds and took steps to meet the short-term liquidity needs. Swap agreements were entered into with major central banks to meet the need for the US Dollar liquidity in the global system.

The European Central Bank (ECB) maintained its borrowing interest rate on hold at -0.50%, while increasing asset purchases and targeted long-term re-finance operations. Similar steps were taken by the Bank of England (BoE) and the Bank of Japan (BoJ), with the balance sheets of the four major central banks expanding by USD 8.5 trillion in 2020. Similarly, the monetary policy stance was relaxed in many developing economies as asset purchase programs were implemented.

Recovery expected in 2021 after the severe contraction in 2020

In light of the developments which occurred throughout the year, the International Monetary Fund (IMF) and similar international organizations updated their forecasts for global economic growth. Before the pandemic, these institutions had set out their expectation of some recovery in world economic growth in 2020. In March, however, they warned that the global economy was in the midst of its most severe contraction since the 2nd World War. The severe contraction in the second quarter was followed by a rapid recovery in the third quarter, leading to some revisions in expectations with forecasts of a milder contraction. However, medium-term forecasts

The contraction in developing economies is expected to have been more limited than in developed economies in 2020, with a rapid recovery expected to follow in 2021.

were updated in a downward direction due to the uncertainties surrounding the efforts to contain the pandemic.

Under these assessments, the IMF projects that the global economy will grow by 5.2% in 2021 after contracting by 4.4% in 2020.

Advanced economies were observed to have suffered a deeper contraction in 2020, and are not expected to rebound to their pre-pandemic levels until 2022. The contraction in developing economies, on the other hand, remained more limited in 2020 with a rapid recovery forecast for 2021. However, the progress in the work to develop vaccines, which accelerated in November, limited the downside risks to the global outlook. The spread and course of the global recovery will depend on when vaccine production reaches sufficient levels worldwide as well as the extent of its distribution.

THE TURKISH ECONOMY

The pandemic decelerated growth momentum, which made a strong start to 2020.

The Turkish economy, which had started to recover in the second half of 2019, got off to a strong start to 2020, but lost momentum in line with global trends amid the pandemic. The monetary and financial support provided to the economy paved the way for a rapid recovery in the third quarter, while the renewed surge in case numbers in the last quarter, along with lockdown measures, kept the economic outlook under risk.

A moderate slowdown in the final quarter after the recovery in the third quarter

Gross domestic product (GDP), which had grown by 0.2% in the first quarter compared to the previous period according to seasonally and calendar adjusted data, suffered its severest contraction on record with a 10.8% fall in the second quarter. On the other hand, in the third quarter, GDP surged back by 15.6%, chalking up in its fastest quarterly growth on record. During this period, calendar adjusted GDP grew by 6.5% on an annual basis, while the GDP grew by 6.7% year-on-year according to the unadjusted data.

While private sector consumption and investment expenditures appeared to have been behind this recovery in the economy, feeble net external demand limited growth. In terms of production, an overall increase was observed. With these results, the GDP grew by 0.5% in the January-September 2020 period compared to the same period of 2019. Annualized GDP decreased to USD 736.1 billion in the third quarter of 2020 from USD 743.9 billion in the second quarter of 2020.

Leading data releases indicate that the recovery continued in the final quarter of the year on the back of the normalization process which had started in May. However, the improvement in expectations slowed down due to the ongoing pandemic and the sector-based confidence indices pointed to a moderate slowdown.

In addition to a widening foreign trade deficit, a slump in tourism disrupted the current account balance.

Despite the economic weakness in our trading partners, the rapid recovery in domestic demand during the normalization period and the brisk demand for gold led to a deterioration in the foreign trade balance. The balance of payments defined foreign trade deficit stood at USD 37.9 billion in 2020, up from USD 16.8 billion in 2019.

The current account balance, which yielded a surplus in 2019, ended 2020 with a deficit of USD 36.7 billion on the back of the slump in tourism receipts due to the pandemic. A current account deficit of USD 12.5 billion was recorded excluding energy, a far cry from the surplus of USD 40.0 billion in 2019. With these results, it is calculated that the current account stood at 5% of GDP during 2020.

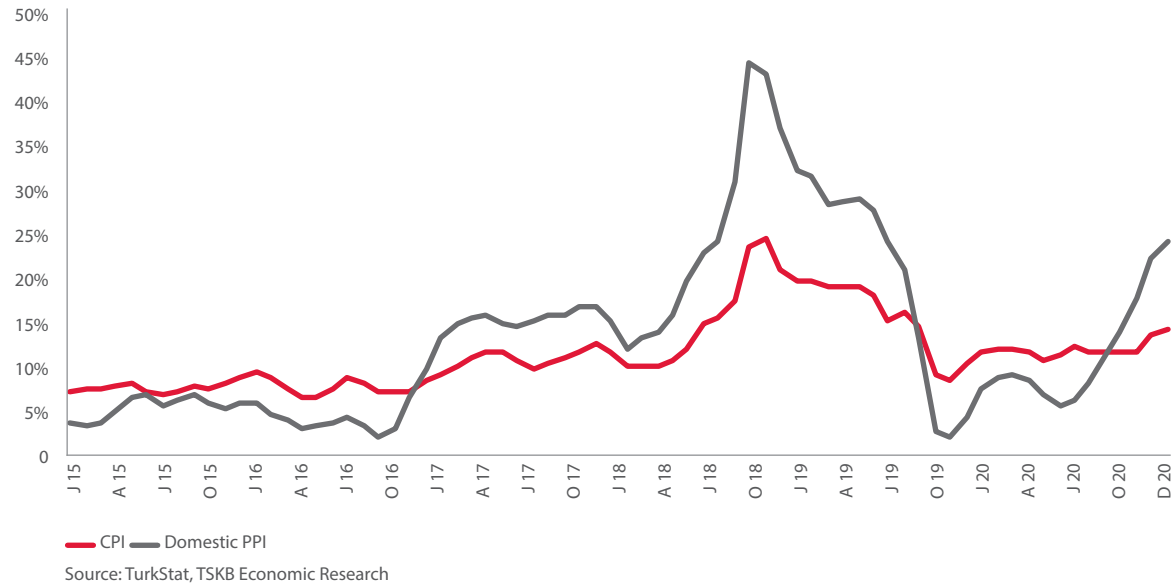
While the need for external financing increased due to the deterioration in the current balance, foreign exchange reserves and exchange rates came under pressure due to the weakness in capital flows. A total of USD 4.6 billion in foreign direct investment inflows were recorded during 2020 along with USD 5.5 billion in portfolio investments occurred. While companies deleveraged their foreign debt, official reserves decreased by USD 31.9 billion.

Worsening in inflation dynamics has become more visible

Inflation followed a moderate course in the first half of the year due to weak demand conditions. In the second half of the year, however, with capacity restraints brought about by exchange rate volatility and the normalization process, the risks and upward pressure to the inflation outlook increased, precipitating a rapid increase in food prices.

The annual rate consumer prices index (CPI) inflation increased from 11.8% at the end of 2019 to 14.6% at the end of 2020. At the same time, there were rises in the core inflation indicators due to the delayed

ANNUAL INFLATION RATES



exchange rate impact. However, due to exchange rate induced cost pressures and movements in international commodity prices, the annual rate of inflation in the domestic producer prices index (D-PPI) surged to 25.1% by the end of 2020, up from 7.4% at the end of 2019.

Despite uncertainty surrounding demand conditions and a recovery in the value of the Turkish Lira, accumulated cost factors and expectations have kept the inflation outlook under risk.

CBRT turns to tightening in the second half of the year

In the first half of 2020, the CBRT adopted a supportive stance due to the weakness in the economy, before gradually withdrawing the measures taken during the pandemic in the second half of the year. The policy

interest rate, which started 2020 at 12.00%, had been gradually cut to 8.25% in the period up to May.

While supporting the financial system with additional liquidity means, the Central Bank of Turkey purchased bonds to expand its securities account by up to 12% of the analytical balance sheet in line with global trends. Financial conditions were tightened after August as additional liquidity means were withdrawn amid the volatility taking place in financial markets.

The Central Bank of Turkey raised its policy rate from 8.25% to 10.25% in September, to 15.00% in November and to 17.00% in December. While simplification steps were taken within the framework of monetary policy, the mandatory reserve requirement system, which is based on real credit growth and differentiated on a sectoral basis, was ended.

STRATEGIC PLAN

External Factors

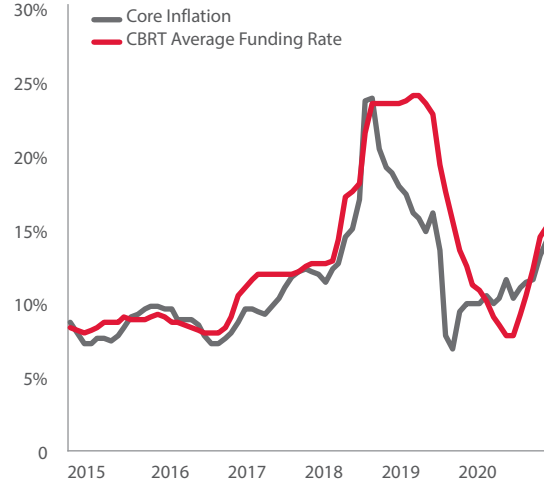
The Banking Regulation and Supervision Agency (BRSA) started to gradually withdraw the measures taken during the midst of the pandemic. The Asset Ratio (AR) application, which was implemented in April, was removed by the end of the year, while restrictions on transactions carried out with overseas residents were eased. On the other hand, the BRSA decided to extend the facilitating practices which it had implemented due to the pandemic and which were valid until the end of 2020, until 30 June 2021.

A gradual recovery in the Turkish economy expected in 2021

The Turkish economy, which is estimated to have rounded off 2020 with limited growth, is projected to recover in 2021. It is calculated that the current account deficit will decrease as the expected recovery gains pace due to external demand coupled with the base effect.

Although global developments have limited the upward pressure on inflation, food prices and past cost increases will delay the improvement in inflation. Under these dynamics, the CBRT is expected to maintain its tight stance for some time to come throughout 2021.

CBRT AVERAGE FUNDING RATE AND CORE INFLATION



Source: CBRT, TurkStat, TSKB Economic Research

TSKB's performance in light of economic developments

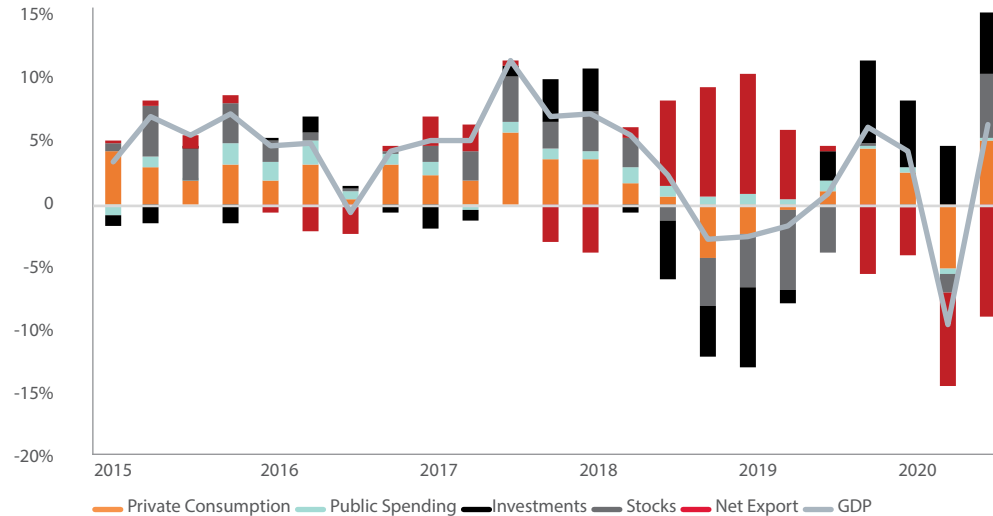
As a result of declining investment demand due to the pandemic and the diminished appetite for foreign currency (FX) loans, TSKB's loan growth was realized broadly in line with the previous year's level when adjusted for exchange rates in 2020.

In light of the expected recovery in the Turkish economy in 2021, the Bank foresees loan growth of 3-5% on an exchange rate adjusted basis.

[See Financial Capital](#)

Turkey's economy is expected to recover gradually in 2021.

ANNUAL GDP GROWTH AND COMPONENTS



Kaynak: TÜİK, TSKB Ekonomik Araştırmalar

DEVELOPMENTS IN THE SECTOR

A year under the shadow of the pandemic

In addition to the negative economic effects caused by the pandemic, in 2020 the banking sector was affected by the measures taken by public authorities, the BRSA and the Central Bank to limit these effects.

As the CBRT's monetary policy and liquidity management responded to the first spread of the coronavirus outbreak in Turkey in March with the Economic Stability Shield package, the BRSA also took measures aimed at supporting economic activity with measures in areas such as asset quality, capital adequacy, fund management and loan allocation conditions.

At the initial stage, the banking sector implemented quarterly postponements to repayments for loan principal and interest. By utilizing the increasing Credit Guarantee Fund opportunities, both companies and consumers in need of credit were supported, while the Treasury's expanding borrowing need was met.

In 2020, banks directed about 62% of their net resources to loans and 26% to Treasury's issuances. In the sector, asset growth adjusted for the exchange rate impact was realised at 22%, while the increase in loans, excluding non-performing loans, was recorded at 23% with the government bond portfolio growing by 39%.

In 2020, Turkish Lira denominated loans grew by 44% while foreign currency (FX) denominated loans contracted by 9%, excluding the exchange rate effect. Corporate Turkish Lira denominated loans increased by 46% while there was a 40% increase in consumer loans denominated in Turkish Lira.

During this period, the banking sector moved to support companies and individuals struggling with their borrowings in accordance with the temporary BRSA measures. In the event of disruption in loan principal repayments and interest payments, follow-

up transactions were spread over longer periods. Restructuring requests were also taken into account.

In order to prepare for any potential negative developments, the sector allocated a high rate to its loan provisions, demonstrating an example of prudent management. The sector's rate of non-performing loans declined by 4% in 2020 on the back of the high rate of loan growth. The non-performing loan provisioning rate was increased to 72%.

In the banking sector, which maintained its profitability thanks to the monetary policies implemented in the first half of 2020, the return on equity ratio stood at 11% in the second half of the year, as a result of both the shrinking net interest margin due to the tightening

of the central bank policies and banks choosing to increase their provision expenses under a conservative approach.

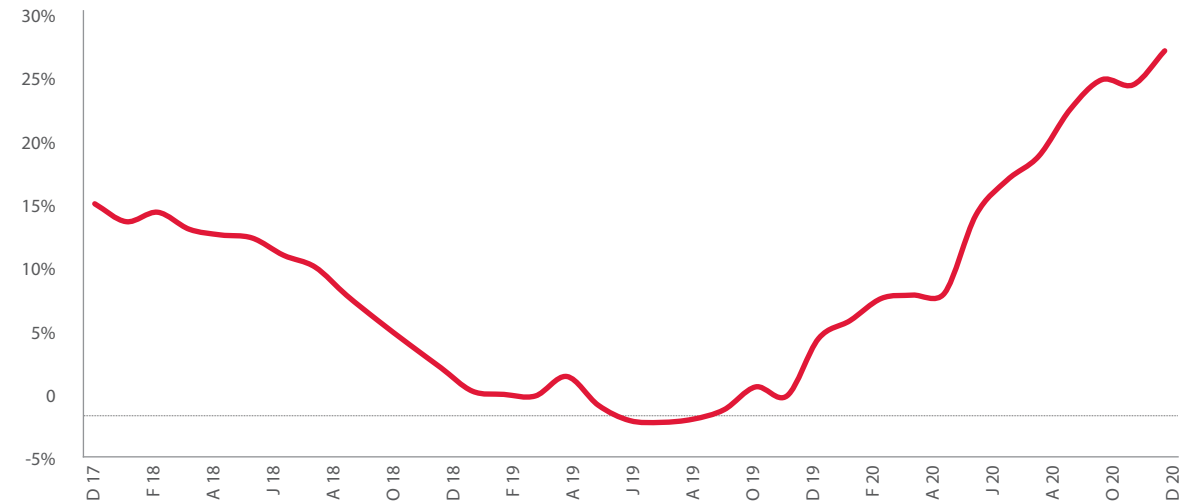
Corporate loans to drive loan growth in 2021

With the contribution of the vaccine rollout to tackle the pandemic in 2021, Turkish Lira loans in the banking sector are expected to record approximately 15% growth on the back of the projected recovery in economic activity and expectations, mainly in the second half of the year led by demand for loans from corporate clients.

While the sector recorded asset growth of 22% when adjusted for the exchange rate effect, there was a 23% expansion in loan volumes excluding non-performing loans with 39% growth in the government's bond portfolio.

BANKING SECTOR LOANS

(FX-adjusted annual growth)



Source: BRSA Statistics

STRATEGIC PLAN

External Factors

It is predicted that the load of loan provision expenses will be lower than in 2020, supporting the sector's profitability in 2021.

With the impact of the CBRT's monetary policy and the Treasury's borrowing program, the contraction in net interest margins is expected to continue in the first half of the year and exhibit a limited decline compared to 2020 on a YoY basis.

Although the BRSA extended the implementation of the temporary regulations regarding asset quality during the pandemic until the end of June to ensure a gradual transition, the non-performing loan rate

may be expected to exceed 5% due to the onset of an increase in non-performing loan creation and a slowdown in the rate of loan growth.

The load of loan provision expenses is expected to be lower in 2021 than in 2020 due to the continuation of restructuring efforts in loans and the positive impact of the expected economic recovery, especially the contribution of allocation of provisions at a high rate with a front-loaded approach in 2020. It is thought that this will support the profitability of the sector.

In 2020, the capital adequacy ratio was calculated in a methodology which would reduce the impact of sudden market fluctuations and in accordance with the temporary regulations set out by the BRSA. The calculation of the ratio was conducted such that it would provide a gradual transition to current values in the first half of 2021, and the sector is expected to continue to maintain its strong capital structure.

Sectoral Developments and Impact on TSKB

The restructuring process of loans was largely completed over a two-year period. As of the end of 2020, the restructuring process of approximately 80% of TSKB's second and third group loans had been concluded. TSKB, which maintained its prudent provision policy in 2020, recorded a loan risk cost of 226 basis points at the end of the year. This figure is expected to be less than 200 basis points in 2021.

[See Financial Capital](#) 

AUTHORITIES' REGULATIONS AND REGULATORY CHANGES

Macro-Precautionary and Tax Measures

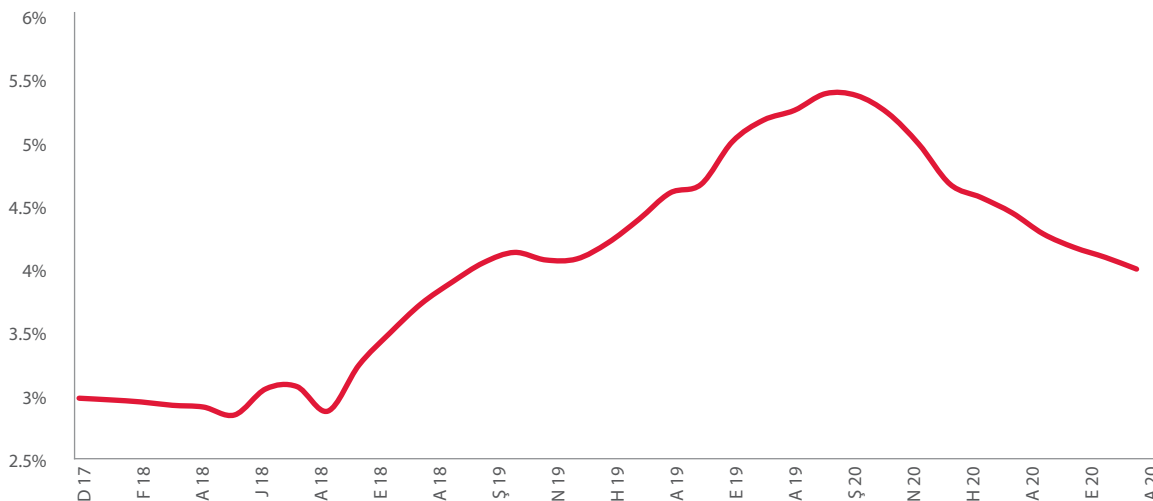
In order to limit the sudden and negative economic effects caused by the pandemic, which spread in our country in March, on both the banking sector and the real sector, measures were put in place on tax implementations along with measures on monetary policy to support the provision of financing.

These steps included administrative and procedural measures such as postponing tax returns and payment obligations, flexibility regarding penalties arising from the failure to submit declarations on time, expanding taxpayer services, accelerating tax return processes and measures reflecting essential tax policy changes.

The Foreign Exchange Expense Tax, which was determined as two parts per thousand (0.2%) with the omnibus bill published on 7 December 2019, was increased from 2 parts per thousand (0.2%) to 1% to be effective from 24 May 2020 during the pandemic period. During the normalization process, this rate was reduced back to 2 parts per thousand (0.02%) again on 30 September 2020.

In the Capital Movements Circular, which is the implementation instruction for the use of foreign currency (FX) loans and which was organized within

BANKING SECTOR NPL RATIO



Source: BRSA Statistics

the scope of Resolution No. 32 on the Protection of the Value of Turkish Currency, measures were introduced in 2020 in line with the needs of the sector and the banks and finance institutions that broker foreign currency (FX) loans.

BRSA Regulations

As of the first quarter of 2020, provisional arrangements were put in place by the Banking Regulation and Supervision Agency in the implementation of certain obligations which must be fulfilled by banks in order to reduce the negative effects of the COVID-19 pandemic on the banking sector.

In this context, the following decisions were taken;

- To grant flexibility of up to 180 days for the First and Second Group loans during the 90-day delay period before classification of loans as frozen receivables in articles 4 and 5 of the Regulation on the Classification of Loans and the Procedures and Principles regarding Provisions to be Reserved for the loans.
- Banks could continue to reserve provisions according to their own risk models in the calculation of the loan loss expected under TFRS (Turkey Financial Reporting Standard) 9 for the loans which continue to be classified in the Second Group even with the 90-day delay, and that Banks would not have any additional provision reserve obligations in this context.
- Loans classified as live receivables due to restructuring and whose principal repayments and/or interest payments were delayed by more than 30 days during the one-year monitoring period, or are subject to restructuring once again during this monitoring period, are not obliged to be classified in the third group.

These measures taken by the BRSA are due to enter effect from 30 June 2021.

The Fight Against Money Laundering and Financing of Terrorism, and Sanctions

In parallel with the global developments experienced in 2020, TSKB closely followed both the recommendations of the Financial Action Task Force (FATF) and the regulations of the Financial Crimes Investigation Board (FCIB). The Bank's ban and enforcement inquiry and control steps, which have been performed through the systems automatically since 2016, were rendered more comprehensive by adding new control areas and processes in 2020.

The Bank applies the client risk scoring model within the scope of identifying, rating, assessing and mitigating the risks associated with the financial crimes and sanctions which it may be exposed to. TSKB divides its clients into three risk categories (low, medium and high) within the scope of this risk modeling.

Within the framework of its commitments to institutions and organizations with which it has a correspondent or resource relationship, the Bank continues its activities to determine strategies, measures, operating rules and responsibilities to reduce and monitor risks it may be exposed to within the scope of sanction and prohibition controls.

Impact of New Legal Regulations on TSKB

The Bank followed up all legislative changes throughout the year and operated in accordance with the regulations. In 2021, these developments will be also closely monitored and necessary actions will be taken.

[See Financial Capital](#) □

Provisional arrangements were drawn up by the BRSA in the implementation of certain obligations that must be fulfilled by banks in order to reduce the negative effects of the COVID-19 pandemic on the banking sector.

OTHER FACTORS

Climate Change

Climate change remained one of the biggest problems facing the world in 2020.

Extraordinary weather events and natural phenomena caused by climate change have reached devastating proportions. Australia experienced record temperatures and was ravaged by wildfires, while storms battered the USA and flooding was experienced in East and South Asia.

Although global greenhouse gas emissions exhibited a short-term dip during the Covid-19 pandemic which has affected the whole world, this decrease will not be sufficient or permanent unless governments mobilise climate related structural reforms.

In order to prevent global climate change, which is observed to have an effect that increases the intensity of Covid-19 and similar zoonotic diseases, climate action stands out even more than in previous periods.

Within the scope of the efforts to combat climate change, some key players in the private sector took a number of key steps in 2020. In September, as part of the Consumer Products Forum's Forest Positive Coalition Action, 17 brands with a total market value of USD 1.8 trillion pledged their commitment to reduce deforestation and move away from environmentally harmful supply chains. More than 270 companies, which are included in the RE100 Climate Group, took the step to transform their activities 100% renewable energy consumption.

STRATEGIC PLAN

External Factors

In 2020, the financial sector continued to be at the forefront of the fight against climate change. One of the most important developments in this field has been the establishment of the Net Zero Asset Owners Association under the leadership of the United Nations Financial Initiative. This Association, which consists of 33 institutional investors with a total asset of USD 5.1 trillion under their management, is committed to bringing the greenhouse gas emissions arising from their portfolios to net zero by 2050.

Sustainable Finance

Sustainable finance market continued its unabated growth in 2020. The global sustainable borrowing market volume had reached USD 655 billion as of the end of 2020.

The tools used in the field of sustainable finance, which has also been affected by the Covid-19 pandemic and climate change, are not limited to bonds. 2020 was a year in which alternative sustainable financing tools such as green loans, ESG (Environment, Social, Governance) linked loans and SDGs (Social Development Goals) loans have also been used.

Various standard regulations on sustainable financial instruments also came to the forefront in 2020. The

“Final Report of the Sustainable Finance Technical Expert Group for EU the Taxonomy”, published in March 2020, contains recommendations for the creation of an inclusive EU Taxonomy and serves as a guide for users. The report also includes a technical monitoring criterion for the economic activities aimed at supporting adaptation to climate change and impact mitigation.

In June 2020, the EU Taxonomy Regulation was published in the Official Journal of the EU. Within the scope of the regulation, technical monitoring criteria for climate related targets are expected to enter force by the end of 2020. The EU Taxonomy Regulation will contribute to the standardization of sustainability activities throughout the EU.

Steps taken in regard to climate change in TSKB

The Bank established the Climate Risks Working Group in 2020 and aims to integrate climate risks more deeply into its work processes in the coming period. In addition, the Bank plans to intensify its work on the impact created through lending activities.

The European Green Deal announced by the European Commission is expected to have significant implications for Turkey, which has strong trading relations with the EU. In this context, work is being carried out on the potential effects of legislative changes on Turkish industry. TSKB aims to provide direct and indirect support to its clients during the transition process.

[See Natural Capital](#) □□



Sustainable Finance at TSKB

In addition to the themed resources obtained from DFIs the Bank implemented a number of good applications in the field of sustainable finance with the sustainable bonds issued since 2016 and the club loan linked to the ESG risk rating. In line with its mission, it continues to support sustainable development goals with these resources. As of the end of 2020, the Bank's sustainable investments accounted for 74% of its total loan portfolio. among the SDGs, which the Bank has supported to date, the following stand out: SDG 1, SDG 7, SDG 8, SDG 9, SDG 12 SDG 13 and SDG 17.

TSKB aims to provide USD 8 billion in the SDG -linked financing in the next 10 years (between 2021 and 2030).

[See Natural Capital](#) 

Another example of the work on sustainable finance carried out in 2020 was the Climate Transition Finance Handbook published by the ICMA (the International Capital Market Association). This handbook aims to provide investors with a roadmap for investments related to climate transition and to explain basic expectations to capital market players.

Social Outlook and Social Development

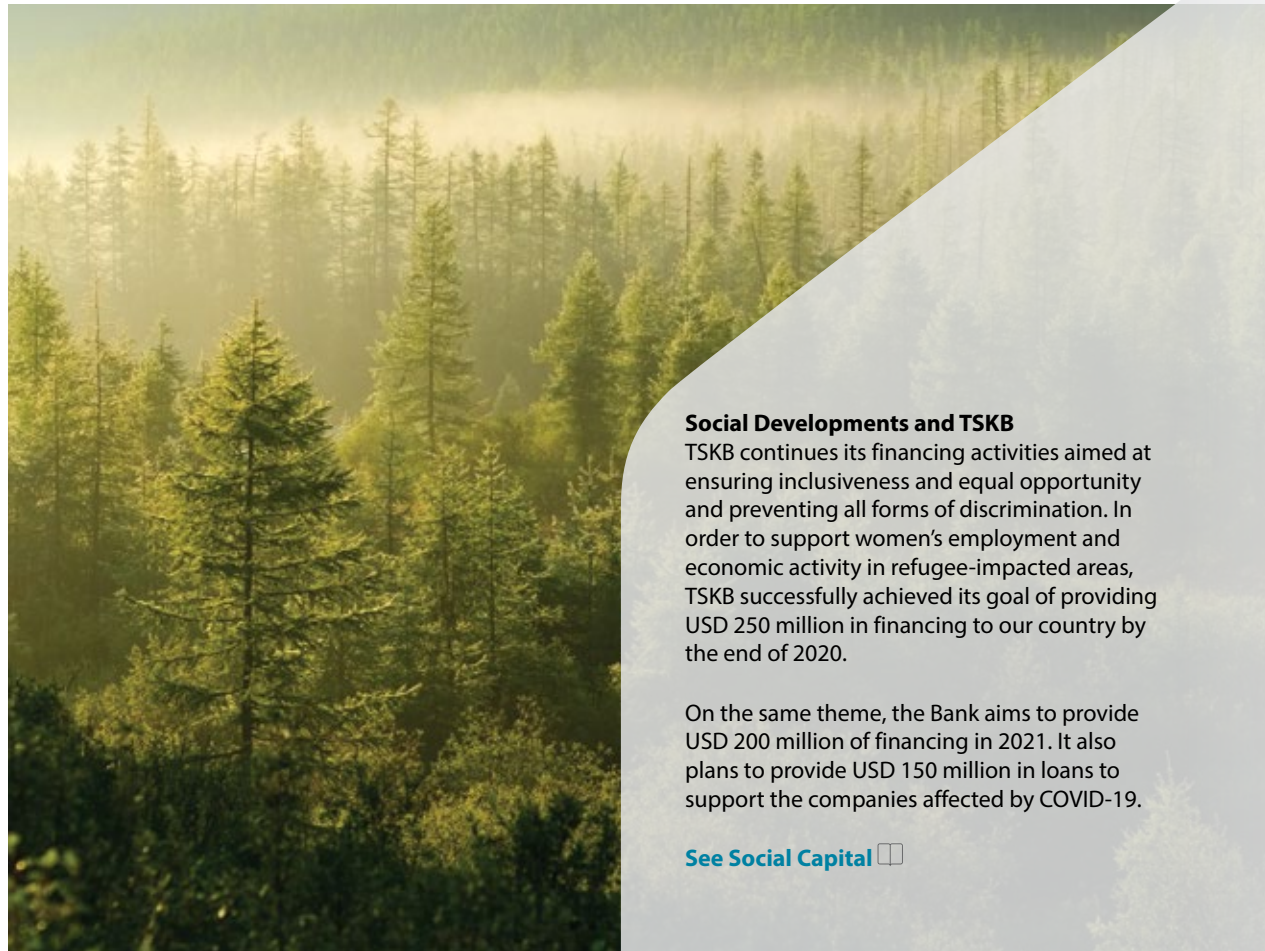
According to data for November 2020, the rate of unemployment in Turkey decreased by 0.4 percentage points YoY to 12.9%. Turkey's rate of unemployment was higher than the OECD average of 6.7% in November 2020.

In the same period, youth unemployment in Turkey increased by 0.9 percentage points YoY to reach 25.4%. The June 2020 data indicates that the workforce participation rate for women stands at 32% - well below the global average of 46.9%.

A number of studies have been carried out on gender equality, the importance of which has become better understood with the Covid-19 pandemic in 2020. One of the most closely followed assessments internationally is the United Nations Development Programme Gender Inequality Index (GII). According to the most up-to-date data published within the scope of this index, Turkey ranks 68th in the index among 156 countries.

Non-Financial Reporting Trends


Standardization activities gained prominence in non-financial reporting in 2020. Global organizations and some public institutions with an interest in non-financial reporting worked to establish common methodological frameworks for non-financial reporting. One such activity in this area was the Better Alignment Project carried out by the Corporate



Social Developments and TSKB

TSKB continues its financing activities aimed at ensuring inclusiveness and equal opportunity and preventing all forms of discrimination. In order to support women's employment and economic activity in refugee-impacted areas, TSKB successfully achieved its goal of providing USD 250 million in financing to our country by the end of 2020.

On the same theme, the Bank aims to provide USD 200 million of financing in 2021. It also plans to provide USD 150 million in loans to support the companies affected by COVID-19.

[See Social Capital](#) 

STRATEGIC PLAN

External Factors

Reporting Dialogue, which had a major impact on reporting efforts during 2020 with its report published at the end of 2019. This project, which was carried out by the Corporate Reporting Dialogue, whose members include institutions such as the CDP, GRI, the IIRC and SASB, mapped out the standards and frameworks of its participants with the Task Force on Climate-related Financial Disclosures (TCFD) requirements, revealing levels of compliance. It presented improvement metrics and targets for the institutions. In a similar project carried out by the, the European Commission reviewed the Non-Financial Reporting Directive by including the public consultation process. This process is aimed at harmonizing reporting requirements with the TCFD recommendations.

During the year, the IIRC revised its Integrated Reporting Framework. The new framework, which was drawn up in response to the feedback received from roundtable meetings and online surveys, is focused on simplifying the statement of responsibility required for integrated reporting, providing deeper insight into the quality and integrity of reporting processes, highlighting the difference between outputs and outcomes, maintaining results and values, and further highlighting the balance between scenarios.

The UNEP Finance Initiative Principles of Responsible Banking, which is one of the most prominent movements in managing non-financial impacts in the finance world, also published a guideline on non-financial reporting in 2020. This work, entitled "Guidance Document: Reporting on the Principles for Responsible Banking", provides the signatories to the initiative with guidance on the principles of non-financial reporting and the initiative.

2020 was a year when standardization in non-financial reporting became crucial. Global organizations and some public institutions with in interest in non-financial reporting worked to establish common methodological frameworks for non-financial reporting.

In addition to the regulations, the number of non-financial reporting organizations demonstrated an increasing trend in 2020, as in previous years. It is acknowledged that there has been a positive approach to non-financial reporting within the G250, which defines the largest 250 companies in the world according to the Fortune 500 rankings for 2019. According to the data, 37% of the G250 companies conducted their reporting in line with the TCFD recommendations in 2020, and 76% of the companies determined carbon reduction targets in their reporting. In addition, in 2020, it was found that 96% of the same companies published sustainability reports, 22% published integrated reports and 76% of the companies included data on sustainability in their annual reports.

Reporting Trends and TSKB

The Bank closely follows up developments, good practices and reporting trends related to international standards and carries out improvements to its reporting by taking into account its stakeholders' feedbacks. Within the scope of the IIRC's revised Integrated Reporting Framework, the Bank participated in roundtable meetings and offered its views presented its views and opinions.

The first progress report prepared in line with the UNEP-FI Responsible Banking Principles, which the Bank signed in 2020, is included in the annexes of the report. The Bank works on the impacts regarding climate risks as a result of its lending activities. The targets, which were determined within the framework of the 5-year roadmap are included in the Natural Capital section of this report.

[See Natural Capital](#) 

COVID-19

Covid-19, which emerged at the beginning of 2020 as a threat to human health, has become a humanitarian and socioeconomic crisis. The pandemic which marked 2020 has had far-reaching ramifications on production, ways of doing business and the economy.

The social isolation measures have disrupted many business processes leading to increased unemployment with the termination of employees in the disrupted work lines, with health services requiring support to tackle this highly contagious virus.

These developments presented both local and international economies with a difficult process to manage. Throughout the process, governments have stepped up their public spending, with figures indicating that public spending as a proportion of GDP in 22 countries increased by 20% compared to the previous year.



Many private sector organizations contributed to the efforts to mitigate the negative effects of the crisis with their policy to avoid lay-offs. However, despite all of these measures, global GDP is estimated to have contracted by 5.2% in 2020 under the base case scenario in what will have been the biggest economic recession the world has faced for decades. It is estimated that the extent of the recession will have varied in different geographical regions; data indicates that the economic contraction was around 0.5% in East Asia and the Pacific, 4.2% in the Middle East and North America, 4.7% in Europe and Central Asia and 7.2% in Latin America.

One of the most important impacts of the pandemic for both the business world and governments has been understanding the importance of risk management and emergency response plans.

This period, which has demanded rapid solutions to problems with financing, has witnessed a surge in demand for sustainable finance instruments, which had already been on the agenda before the crisis. In particular, development institutions and banks took steps towards bond issuances in the fight against Covid-19 from the end of March, with Covid-19-themed bond issuances starting in April.

One of the most important impacts of the pandemic for both the business world and governments has been the understanding of the importance of risk management and emergency response plans.

It is predicted that institutions directly faced with low-probability but high-impact risk will approach risk management work more seriously in the post-pandemic period. In addition, changes in working conditions, a process of questioning traditional business models, the increasing depth of digitalization, differentiating approaches in supply chain management and the increased importance of food safety have been other important consequences of this process. These issues, which had been out of the spotlight in previous years, have now become the areas which institutions closely examine and which are expected to usher in changes in working processes after the pandemic.

Covid-19 and TSKB

As of the end of the year, an average of of the employees of the Bank, which rapidly switched to a remote working system during the pandemic period, were working remotely. TSKB's activities continue without interruption, and the bank plans to switch to a hybrid operating model after the pandemic.

TSKB extended support to the companies adversely affected by the COVID-19 pandemic by responding to their liquidity and working capital needs throughout 2020. Accordingly, the ratio of the Bank's working capital loans in total loans increased from 22% to 25%. Under the COVID-19-themed loan obtained from the AIIB in 2020, support will continue to be provided to support the resilience of those companies adversely affected by the pandemic and the sustainability of their activities.

[See Financial Capital,](#)
[Social Capital](#) □

Covid-19, which emerged at the beginning of 2020 as a threat to human health, turned into a humanitarian and socioeconomic crisis. The pandemic, which left its mark on 2020, has had serious ramifications on production, the ways of doing business and the economy.

CAPITAL ELEMENTS



FINANCIAL CAPITAL



2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

AN IMPORTANT PLAYER IN THE DEVELOPMENT AND INVESTMENT BANKING WITH ITS STRONG CAPITAL STRUCTURE

TSKB's total asset size expanded by 24% compared to the previous year, reaching TL 51.5 billion by the end of 2020. Ranking 13th in the sector in terms of asset size, the Bank maintains its 2nd position among development and investment banks. 78% of TSKB's assets were denominated in foreign currency (FX), and the Bank's capital adequacy ratio stood at 16.6% at the end of 2020. (excluding forbearances). The Bank's shareholders' equity increased by 18% YoY and reached to TL 6.1 billion at the end of 2020.

THE FIRST EUROBOND OF THE YEAR

TSKB further strengthened its liquidity position with the USD 400 million Eurobond issuance in January, and the COVID-19-themed loan obtained from the Asian Infrastructure Investment Bank (AIIB) during the year. In addition, the Bank obtained a USD 150 syndicated loan facility with the participation of international banks.

INCREASING ESG FUNDING AND PRODUCTS

In May 2020, TSKB ranked the first bank in Turkey with an ESG risk rating score of 16.7 points from Sustainalytics which implies a low risk category. The Bank was placed in the second percentile among the diversified banks category. In 2020, TSKB, which integrates this perspective into its services, introduced innovative products in the environmental, social and governance category. Providing the first loan linked to the ESG risk rating in Turkey, TSKB also implemented

the SDG Loan Model developed with its subsidiary, ESCARUS, during the same period. In this context, with the SDG Evaluation Tool, the performance of companies in the social, economic and environmental areas is evaluated and action plans are determined. In the final stage of the process, companies are offered improved financing costs depending on their assessed impacts. In the investment banking area, TSKB advised the first sustainable lease certificate issuance in 2020.

TSKB PROVIDED A SIGNIFICANT CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS THROUGH ITS LOANS



SDG FOCUS IN LENDING ACTIVITIES

In 2020, TSKB continued to finance projects which have positive environmental and social impact by placing SDGs at the core of its activities. In 2020, the Bank's support to the economy through cash and non-cash loans amounted to USD 2.1 billion. USD 120 million of the USD 1.3 billion in cash loan disbursements was realized through APEX loans.

In 2020, the Bank completed its SDG Mapping Project to measure its contribution to the SDGs. Within the scope of the project, each loan disbursed by TSKB is classified according to its theme and link to the SDGs by the Social Impact working group in the Sustainability Sub Committee. The Bank will continue to monitor the contribution made to economic and social development in a sound manner by bringing all lending activities under the scope of measurement in terms of the SDGs and themes. Among the SDGs supported through lending activities, SDG 1, SDG 7, SDG 8, SDG 9, SDG 12, SDG 13 and SDG 17 stand out.



Highlights from 2020

USD 1.9 BILLION OF NEW LOAN LIMITS

During the year, TSKB allocated a cash and non-cash (excluding APEX) loan limit of USD 1.9 billion to its corporate clients and signed a new loan agreement of more than USD 1.2 billion. The number of active clients of the Bank has increased by 26% over the last 5 years.

WORKING CAPITAL SUPPORT FOR COMPANIES WHICH ARE ADVERSELY AFFECTED BY COVID-19

TSKB has a 34% market share among development and investment banks in long-term loans. The Bank focused on the working capital and liquidity needs of the companies adversely affected by COVID-19 in order to mitigate the effects of the pandemic which dominated 2020, in addition to the investment loans, which the Bank focuses on in line with its mission. Accordingly, at the end of 2020, the share of investment loans in the total loan portfolio decreased slightly to 67%, while the share of working capital loans reached to 25%. The share of APEX loans was unchanged from the previous year, at 8%.

MEDIUM- AND LONG-TERM LOANS COMPRISE 86% OF TOTAL LOANS

TSKB disburses medium- and long-term loans to its clients in line with its vision of being the leading bank in Turkey's sustainable development. At the end of 2020, 14% of TSKB's loan portfolio consisted of loans with a maturity of less than 1 year and 52% of loans had maturities of 5 years or longer. Average loan maturity is 5.5 years with a size of USD 14 million.

INCREASING CONTRIBUTION OF ADVISORY AND INVESTMENT BANKING REVENUES

Despite the negative effects of COVID-19, the Bank's successful transactions in investment banking and advisory services continued to support revenues at an increasing rate. In 2020, the Bank doubled its investment banking and advisory revenues compared to the previous year, with these revenues constituting 40% of total gross commissions.



Continuous Value Creation

SUPPORT PROVIDED TO THE ECONOMY

USD 2.1 Billion

Support extended by TSKB to the economy with cash and non-cash loans in 2020

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

SDG 1, 7, 8, 9, 12, 13, 17

7 SDGs which stand out in the outstanding loan portfolio

Future Projections



- » TSKB's goal is to achieve its growth objectives by utilising its financial capital with an effective and efficient approach and to increase its support to the real sector through diversification.
- » The Financial Capital targets are set out on page 64-65. □

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

LONG-ESTABLISHED EXPERTISE IN INVESTMENT LOANS

In 2020, TSKB disbursed USD 1.3 billion in cash loans to its clients within the scope of the Corporate Banking and Project Finance activities. USD 580 million of this amount was provided to corporate clients as long-term investment and short/medium term working capital loans. Within the scope of its project finance activities, the Bank, via syndication with other financial institutions, provided approximately USD 600 million to the financed projects. The volume of APEX loans disbursed during the same period amounted to approximately USD 120 million.

During 2020, TSKB mainly financed investments in electricity generation and distribution investments in industrial development, support for women's employment and developing regions, energy and resource efficiency and infrastructure as well as responding to the investment and working capital needs of the SMEs and the MSEs (Medium Sized Enterprises) operating in sectors such as automotive, textiles, chemicals and plastics, packaging, food, logistics, iron and steel and machinery.

Within the new renewable energy loan disbursements; wind, geothermal, solar and biogas/biomass power plant investments stood out in 2020.

In addition to renewable energy; women's employment and developing regions, which include the economic and social sustainability themes, will make up a majority share in the new loan disbursements in 2021.

According to the 2020 data released by the Turkish Banks Association, TSKB has a market share of 4.4% in the field of project finance.

AREAS WHERE TSKB PROVIDES PROJECT FINANCING

ENERGY GENERATION

Renewable Energy and Power Generation Plants

ENERGY DISTRIBUTION

Electricity Distribution Projects

Natural Gas Distribution Projects

MERGERS AND ACQUISITIONS FINANCE (M&A)

Energy

Fuel

Packaging

Pharmaceuticals

INFRASTRUCTURE / TRANSPORT

Logistics

Transportation Projects (Ports and Airports)

Telecommunication

PUBLIC-PRIVATE SECTOR PARTNERSHIP PROJECTS (PPP)

Renewable energy is one of the themes to stand out among new loan disbursements in 2020.



RENEWABLE ENERGY

330 PROJECTS - 6,594 MW ✓



94 HPPs

Number of Ongoing
Projects: 1

Total Installed Power
3,824 MW



38 WPPs

Number of Ongoing
Projects: -

Total Installed Power
1,710 MW



162 SPPs

Number of Ongoing
Projects: 16

Total Installed Power
260 MW



16 GPPs

Number of Ongoing
Projects: 1

Total Installed Power
628 MW



20 Biomass / Waste

Number of Ongoing
Projects: 1

Total Installed Power
172 MW



ENERGY AND RESOURCE EFFICIENCY
149 PROJECTS

Sectors

Tourism, Energy, Chemical, Mining,
Automotive, Steel, Cement, Textile

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

THE RENEWABLE ENERGY SECTOR AND TSKB

The effective and accurate use of renewable energy resources is of key importance in the process of combating climate change and transitioning to a low carbon economy in Turkey.

Renewable energy resources are key to reducing Turkey's external dependency on energy. Electricity generation has the largest share of TSKB's loan portfolio, with a 38% share. Renewable energy projects account for 88% of electricity generation projects.

The renewable energy installed power capacity funded by TSKB has reached 6,594 MW.

TSKB has been supporting projects in the field of renewable energy in Turkey since 2002 with its medium- and long-term funds.

The energy projects to which TSKB has extended funds range from hydroelectric power plants to solar, wind, biomass and geothermal power plants. The projected total installed power of a total of 330 projects financed is 6,594 MW and represents 13.3% of Turkey's total installed capacity in renewable energy.

In 2020, investments based mainly on wind, solar, biogas and geothermal resources were financed in the field of renewable energy. Expectations that the renewable energy resources support mechanism (YEKDEM) would terminate in 2020 led to an increased pace of new renewable energy investments. The current practice was extended by the authorities for another 6 months during the year.

TSKB's loan portfolio was dominated by the energy sector as of the end of 2020. In the coming period, the Bank will continue to support renewable energy projects which contribute to bringing domestic energy resources into the economy.



The effective use of renewable energy resources is of tremendous importance in the fight against climate change and Turkey's transition to a low carbon economy.

94% of financed renewable energy projects are in operation

As of the end of 2020, 94% of the renewable energy projects financed by TSKB had started generating electricity. The total installed power of the projects in operation currently amounts to 6,199 MW.

The total investment amount of energy projects financed in Turkey between 2003 and 2020 reached USD 11.3 billion, while the volume of loans committed by TSKB for these projects stands at approximately USD 4.9 billion.

Strong support from TSKB for energy and resource efficiency projects

Since 2013, TSKB has been supporting efforts to increase resource efficiency in Turkey's private sector by offering medium- and long- term funding opportunities. To date, the Bank has provided USD 1

billion in financing for a total of 149 projects in the fields of energy and resource efficiency, production processes and waste management to companies in the iron and steel, cement, textile, aluminium, automotive supply industry and chemicals sectors.

TSKB forecasts that the importance of resource efficiency, including energy efficiency, will surge in a conjuncture where efforts to tackle climate change are becoming increasingly significant.

TSKB aims to provide its clients with direct and indirect support during the transition to the EU Green Deal

The European Green Deal announced by the European Commission is expected to have significant implications for Turkey, which has strong trade relations with the EU. In this context, TSKB works on and monitors the potential effects of legislative changes on Turkish industry. TSKB aims to provide direct and indirect support to its clients during the transition process.

VERSATILE SERVICES EXTENDED TO SMEs

TSKB has stood by the real sector since its establishment and has strongly demonstrated its support for SMEs, which are the lifeblood of the Turkish economy. The Bank has developed various financing models to support SMEs and worked closely with international financial institutions.

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

In this context, the loan obtained from the AIIB in 2020 provides support to meet the working capital needs of the SMEs and corporations which are adversely affected by the Covid-19 pandemic.

On the other hand, in 2020, resources continued to be transferred to SMEs through both direct financing and APEX banking within the scope of the IBRD IncA2F loan. At the end of 2020, the share of loans disbursed to SMEs through the APEX financing model stood at 8% in the total portfolio.

Providing sufficient collateral is one of the most challenging problems SMEs face in accessing bank loans. TSKB signed the InnovFin the SME Guarantee Agreement with the European Investment Fund (EIF), which was developed in 2016 as part of the European Union's Research and Innovation Framework Programme, Horizon2020, which cover the years 2014-2020, in order to help SMEs access loan financing.

TSKB has been supporting the research, development and innovation projects of innovative SMEs since 2016 with the loans in its portfolio established within the scope of the credit guarantee mechanism, and has a total portfolio size of EUR 10.7 million with a total of 11 sub-loans included in the InnovFin portfolio.

Women's employment provided within the scope of gender equality

Over 1,500

At the end of 2020, more than 1,500 women had been provided with employment opportunities through the projects funded under the theme of gender equality and women's employment.

AN INCREASED FOCUS ON INCLUSIVENESS

In December 2016, TSKB 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 its themes. With this funding provided by the AFD, occupational health and safety investments of the companies operating in Turkey were supported, and financing was extended to the investments of companies which support gender equality in the workplace and provide opportunities for women to join the workforce.

In addition to women's employment, TSKB continued to support enterprises operating in developing regions with a high concentration of Syrian refugees under temporary protection in 2020, with a USD 400 million loan sourced from the World Bank in 2018.

In 2019, a EUR 85 million loan agreement was signed with the AFD, marking a continuation of the cooperation with the AFD which has been ongoing since 2016. With this loan, financing continues to be provided to the investments of companies which support equal opportunity in the workplace and women's employment.

At the end of 2020, more than 1,500 women had been provided with employment opportunities through the projects funded under the theme of gender equality and women's employment. In addition, within the scope of equal opportunity, action plans are designed

Funding for the real sector

USD 6.4 billion

A total of USD 6.4 billion in direct financing was provided to the real sector.

for companies to self-evaluate and improve their existing practices. In this context, action plans such as applying equal opportunity for employees starting from their recruitment, the revision of human resources policy, ethics, disciplinary policies, improvements to or the creation of breastfeeding rooms in companies, reducing or eliminating the gender pay gap and support for training on gender equality have been implemented. As of the end of 2020, there had been a 25% improvement in working conditions within companies thanks to the action plans implemented in this context.

USD 7.2 BILLION IN FUNDING PROVIDED TO THE REAL SECTOR OVER A 5-YEAR PERIOD

TSKB unwaveringly maintains its qualified contribution to the sustainable growth of the Turkish economy. In the last 5-year period, the Bank directly provided a total of USD 6.4 billion in financing to the real sector, mainly in the fields of renewable energy, energy efficiency, infrastructure and logistics.

When taking into account the USD 770 million disbursed to SMEs through APEX loans, TSKB provided a total of USD 7.2 billion in finance to the real sector over the last 5-year period.

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

SUPPORT WITH NON-CASH LOANS

In 2020, TSKB, which also provides trade finance solutions with non-cash loans including letter of credit and similar products required by the investment and infrastructure projects, realized a total of USD 750 million in non-cash loans to its clients in 2020.

Throughout the year, the Bank focused on meeting the non-cash loan needs of its clients in the renewable energy, iron and steel, chemicals, plastics, packaging and textiles sectors.

FURTHER STRONG SUPPORT FOR TURKEY'S DEVELOPMENT IN 2021

In 2021, in addition to renewable energy, TSKB will continue to provide financing for projects of companies which help increase the resilience of companies which have been adversely affected by the COVID-19 pandemic, and which support women's employment, which target energy and resource efficiency, and which carry out production operations for export activities that reduce the current account deficit.

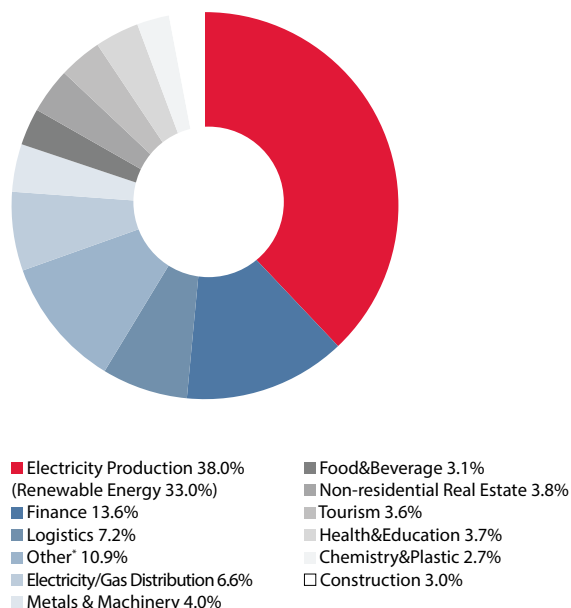
In addition, the Bank aims to step up its support for Turkey's development by continuing to provide financing within the scope of investment and working capital needs for regions marked as being of priority for development. In 2021, TSKB aims to maintain its contributions to an investment culture which has a social impact and which is environmentally friendly and supports efforts to combat climate change.

LOAN MONITORING ACTIVITIES

At TSKB, the selection of companies and projects for lending is carried out through the credit analysis, allocation and monitoring functions with a comprehensive and prudent perspective. This helps sustain the high quality of the loan portfolio.

At TSKB, projects undergo a rigorous evaluation process based on impartial, comprehensive and in-depth reviews conducted by financial analysts, engineers and economists. Backed by this approach,

SECTORAL BREAKDOWN OF TSKB'S OUTSTANDING LOAN PORTFOLIO IN 2020 (%)



* Other (Textile 4%, Automotive 1%, Packaging 1%, Other 5%)

TSKB's non-performing receivables ratio has declined to historically low levels.

It is important to generate revenue and funds in foreign currency. The majority of loans provided for the investments and working capital financing of companies consist of foreign currency loans. A significant portion of TSKB's loan portfolio consist of the loans provided to renewable energy projects which will remain strategically important in the future, helping to ensure that the asset quality of the portfolio will remain high. The presence of guaranteed prices in foreign currency and additional incentives for domestic elements in these projects create a natural hedging mechanism and increases the efficiency and solvency of these projects.

Economic developments since 2018 have brought loan restructurings to the agenda in the banking sector. In this process, TSKB brought some of the loans in its portfolio, mainly multibank consortium loans and loans in project financing, into a process of restructuring and/or refinancing. Some of the restructuring was completed and another phase of the process reached the completion stage following a successful round of negotiations.

The vast majority of the stage 2 and 3 loans are project loans disbursed to companies which continue to operate. Among the loans in the process of being restructured, contract amendments are carried out through business models prepared with detailed analysis and the cash flows and amortization plans of the projects are harmonized. Additional measures are also taken aimed at additional fund inflow and loan reduction with the sponsor's contribution, additional collateralization and asset/stock sales.

In the coming period, TSKB aims to provide non-operating cash inflows through IPO or the direct sale of some structured loans. Within the scope of these activities, TSKB aims to reduce the indebtedness of the relevant groups and render the loans payable under a healthy structure thanks to the positive impact of an improving economic conjuncture.

At the end of 2020, approximately 80% of stage 2 and 3 loans were subject to restructuring.

At the end of 2020, the restructuring process for most of the loans had been completed, while the process of restructuring non-performing loans in the sector is expected to continue in 2021.

As of 31 December 2020, the ratio non-performing receivables, which is dominated by two large restructured loans, in TSKB's total loan portfolio stood at 4.3%. TSKB does not foresee a significant change in the ratio of non-performing receivables in 2021.

CLOSE COOPERATION WITH DEVELOPMENT FINANCE INSTITUTIONS

Funding through development finance institutions accounts for 65% of the funding structure of TSKB, being one of the well known Turkish bank in the international financial markets. 80% of these resources are guaranteed by the Ministry of the Treasury and Finance of the Republic of Turkey. The Bank works in close cooperation with development finance institutions such as the World Bank (IBRD), the European Investment Bank (EIB), the Council of Europe Development Bank (CEB), the German Development Bank (KfW), the Islamic Development Bank (ISDB), the French Development Agency (AFD), the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), the Japan Bank for International Cooperation (JBIC), the Austrian Development Bank (OeEB), the Asian Infrastructure Investment Bank (AIIB) and the China Development Bank (CDB).

The AIIB Covid-19 Loan

TSKB signed a loan agreement with the AIIB for an amount of USD 200 million on 30 July 2020 to mitigate the negative effects of the Covid-19 pandemic on the economy. This loan is under the AIIB's Covid-19 credit program (Covid-19 Crisis Recovery Facility-CRF). This loan aims to support the working capital and liquidity needs of corporations operating in Turkey's infrastructure and manufacturing sectors, which have been adversely affected by Covid-19.

The resources provided under the repayment guarantee of the Ministry of Treasury and Finance of the Republic of Turkey will be used in infrastructure sectors such as transport, energy, water, sustainable cities, health, information and communication technologies, and for companies in production sectors identified in line with the AIIB's strategy.

STRONG RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

In 2020, TSKB maintained close contact with domestic and foreign banks in line with its resource diversification and product development goals, and focused on diversifying its relations and collaborations. The Bank also maintained intensive and effective communication with rating agencies.

The TSKB MTN Programme

TSKB kept its "Medium Term Note Program" up to date with the 144A/RegS rule in order to add a U.S. investor to its potential investor base in a possible issuance. In 2020, TSKB issued the first Eurobond in the sector and opened up the market for other banks in their eurobond issuances. As of the end of 2020, the share of Eurobonds including the Bank's subordinated bond among TSKB's resources (excluding equity) stood at 23%, while the total size stood at USD 1.4 billion.

Syndicated Loan Facility

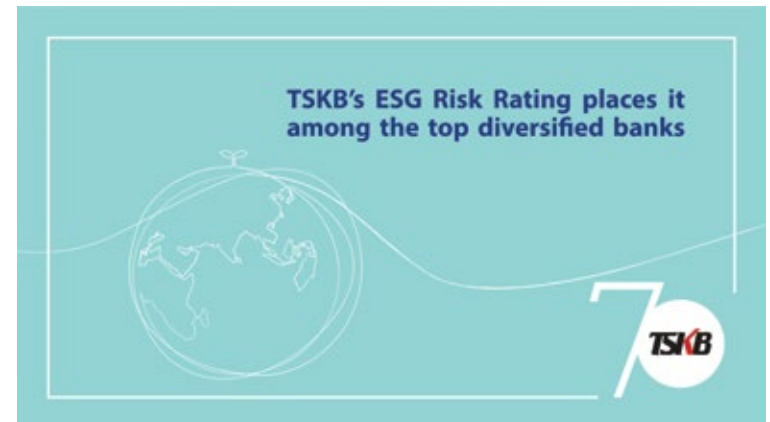
On 9 July 2020, TSKB signed the syndicated loan agreement under the coordination of Commerzbank with the participation of a total of 12 banks, including Citibank, the Agent. The syndicated loan of USD 150 million, with a term of 367 days, consists of two

different tranches, one being in Euro denomination and the other in USD. All-in cost of the facility is Libor and Euribor +2.75%, representing a pricing improvement compared to previous year.

The Bank attaches importance to enriching its existing bilateral relations with domestic and international financial institutions and establishing new relations. Developments in the markets will be closely monitored in 2021, while opportunities in the bond market, syndication, bilateral loans and structured borrowing will continue to be evaluated in line with the Bank's cash flow and needs.

Loan Agreement Linked to ESG Risk Rating

Rated as the top bank in Turkey and among the top banks globally for its ESG Risk Rating, TSKB has signed ESG-Rating Linked Loan agreement with the participation of 4 banks from 4 different countries. TSKB will obtain better loan pricing through its endeavor to improve the Bank's ESG Risk Rating as a reflection of its sustainable and inclusive development agenda for the Turkish economy.



FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

IN THE COMING PERIOD...

CONTINUING RESOURCE DIVERSITY AND STRONG COLLABORATIONS

In line with its growth plans and future strategy, TSKB will continue to work to obtain funding from international and supranational development financing institutions. In this context, research and relationship development efforts will continue with the aim of establishing relations with new institutions such as the CDB (the China Development Bank), which joined TSKB's creditors in 2019, as well as the creditor institutions with which TSKB works in cooperation. The Covid-19 pandemic has increased the importance of cooperation and solidarity of development banks in the face of global crises.

THEME DIVERSITY SHAPED ACCORDING TO THE NEED

TSKB continues its work dynamically with the focus on theme development activities on the axis of sustainable and inclusive financing model.

In addition to providing funding under the climate change, environment, low-carbon economy and efficiency themes as well as social areas such as equal opportunity, women's employment and support for companies operating in regions earmarked as development priority regions and which have been affected by the influx of Syrian refugees under temporary protection, funding was provided within the scope of Covid-19, which has affected Turkey and the whole world in 2020.

The global funds to be provided in the coming period are intended to be in compliance with the United Nations Sustainable Development Goals (the SDGs), the Paris Climate Agreement and Turkey's economic programme and development plan. Work on innovative themes such as clean and renewable energy, adaptation to climate change, youth employment, supply chain protection and development are planned to continue.

Work on the potential effects of the European Green Deal announced by the European Commission on the Turkish industry will also be carried out.

In addition to supporting the financing of the targets set in national and international development strategies, the new funding to be provided are also expected to be diversified around themes which can meet the needs of private sector companies operating in Turkey.

In 2021, TSKB will continue to develop cooperation in alternative areas such as joint project finance (co-financing) on the axis of funding diversification and product development targets, as well as securing loans directly from development finance institutions.

Support for the SDGs is one of the strategic priorities of TSKB, which stands out for its know-how and good practices in the fields of the ESG. The Bank continues to create alternative funding instruments and innovative products by drawing on its know-how and experience. Given the current funding structure, all of the Bank's themed resources are focused on ESG areas. Loan activities will continue to take shape in line with resources by taking into account the effect of the SDGs.

**Bank's thematic loans
are all aligned with
ESG areas.**

LONG TERM FUNDING SOURCES OBTAINED BY TSKB BETWEEN 2016 AND 2020

	Loan	Amount	Maturity
2016	IBRD - Geothermal Development Project Loan	USD 150 million	28 years
	KfW - Credit Line for Combat Against Climate Change	EUR 150 million	15 years
	EIB - TSKB Loan III for SMEs and Midcaps and Innovation/B	EUR 100 million	8 years
	EIB - TSKB Energy and Environment Loan/B	EUR 100 million	12 years
	AFD - Women Employment and Occupational Health&Safety Loan	EUR 100 million	10 years
	CEB - SME Loan	EUR 100 million	7 years
	Eurobond (Green/Sustainable Bond)	USD 300 million	5 years
2017	TSKB Sustainable Tier II	USD 300 million	10NC5
	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 On-Lending Facility	USD 200 million	15 years
	IBRD - Inclusive Access to Finance Project Loan	USD 400 million	29 years
2019	CDB - Manufacturing sector, SME, Energy, Infrastructure, Health and Education Loan	USD 200 million	8 years
	AFD - Women's Empowerment Loan	EUR 85 million	10 years
2020	AIIB - Covid-19 Loan	USD 200 million	4 years

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS



TSKB - WHOLESALE BANKING LOANS (APEX) KEY INDICATORS

Program Name	Year	Agreement Amount	Number of beneficiary companies (as of end 2020)	Current Status of the Programme
SMEs (Women's Employment and Prioritized Regions)				
Inclusive Access to Finance Project Loan (IncA2F)	2018	USD 200 million	279	Ongoing
Support to SMEs and Export				
Innovative Access to Finance Project Loan	2018	USD 250 million	34	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				
TSKB FUNDING *	2017	EUR 150 million	340	Ongoing
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 paid back credits

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

TSKB successfully completed the issuance of the world's first sustainable lease certificate in 2020.

A PIONEER OF WHOLESALE BANKING IN TURKEY

As the pioneer of wholesale banking in Turkey, TSKB continued to lend its thematic international wholesale banking funds to financial institutions in 2020. In addition to its existing cooperation with leasing companies and commercial banks, TSKB started to work with participation banks and factoring companies within the scope of the "Innovative Access to Finance Project Loan" (IA2F) secured from the World Bank in 2014.

TSKB reuses the SME-themed wholesale banking funding which it disbursed in past years and successfully collected, to provide financing to financial leasing companies, commercial banks, participation banks and factoring companies with their proceeds. In this context, USD 253 million obtained from loan collections have been re-disbursed over the last four years.

TSKB continued to transfer USD 200 million of the "Inclusive Access to Finance Loan" (IncA2F), provided by the World Bank in 2018, to commercial banks and leasing companies through wholesale banking.

So far, TSKB has cooperated with 30 intermediary financial institutions under APEX Banking, and it has achieved a credible performance. In 2020, a total of USD 120 million in loans were disbursed through wholesale banking activities. Wholesale banking loans comprised an 8% share of TSKB's total portfolio as of the end of 2020.

Contribution to employment

TSKB disbursed a total of USD 373 million to 1,551 SMEs in the last three years through wholesale banking loans, creating 1,079 new jobs.

A STRONG START TO 2021 ON THE BACK OF THE ACHIEVEMENTS IN INVESTMENT BANKING IN 2020

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

In 2020, the capital markets in Turkey were volatile due to the negative effects of Covid-19 and the diminished interest of foreign investors in Turkish assets.

In the market, small-scale public offerings took place until November, which were not of interest to TSKB. On the other hand, as a result of the low rates of return on deposits for a significant part of 2020 and the lower share of deposits in savings, there was a significant expansion in the domestic investor base with an interest in the capital markets.

The number of investors in the equity market nearly doubled from the 682,000 at the end of 2019 to reach approximately 1.9 million by the end of November 2020.

Domestic investor interest has been a major driving force for Borsa İstanbul and played a leading role both in the increase of the index and in the recent revival of the IPO market.

An increase in the number of foreign investors entering the Borsa İstanbul has been observed again, albeit on a slow and small scale, since November.

TSKB expects an increase in the number of medium- and large-scale IPO to increase in the coming period based on the prediction that foreign investor interest will continue and the BIST index will maintain a positive course in US Dollar terms. Accordingly, TSKB aims to successfully conclude the IPO which it is currently working on within 2021.

TSKB realized six debt instrument issuances in 2020. Despite the fluctuations in the debt instruments market and investor concerns, TSKB concluded a successful year, ranking first among all intermediary financial institutions for real sector issuances.

In 2020, the first lease certificate issuances in the food sector with Altınmarka Gıda, the first issuances in the logistics sector with MNG Cargo were realized. In addition to these transactions, the issuance of the first sustainable lease certificate realized with Zorlu Energy was the first, not only in Turkey but also in the world.

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

In 2020, two of the three companies issuing borrowing instruments for the first time were brought into the capital markets through TSKB.

In 2021, TSKB will continue to be one of the most important players in the market in the field of debt instruments both in terms of bond and lease certificate issuances, and will continue to bring new players into the capital markets.

While 2020 had been expected to be a more active year after 2019, which was a weak year in terms of mergers and acquisitions, the negative impact of the pandemic has led to low transaction volumes in 2020 compared to previous years.

The TSKB Corporate Finance team was recognised as being one of the most successful groups in the market in 2020 with TSKB carrying out three mergers and acquisitions during the year. In addition, it completed six successful issuances in the field of Capital Markets.

TSKB will continue to carry out its successful work and reinforce its position among leading institutions in 2021, when the effects of the pandemic are expected to diminish and macroeconomic indicators improve, and with the leverage effect that will have been created by the transactions closed in 2020.

A KEY PLAYER IN THE MONEY AND CAPITAL MARKETS

In the uncertain and volatile environment of 2020, TSKB, a key player in the money and capital markets, was focused on maximizing returns by taking into account the risk factors of its balance sheet. On the other hand, the Bank provided opportunities for corporations to hedge against financial risks with the derivatives it offered to its clients.



Thanks to its flexible balance sheet structure, TSKB took maximum care in managing risks while increasing its revenues by properly seizing the opportunities created. The Bank successfully managed its foreign exchange position within the framework of treasury policies by taking into account risk factors and market conditions.

In 2020, TSKB funded nearly all of its TL securities portfolio with the Bank's equity. During the same period, transactions carried out in the swap market came to the forefront in the management of TL denominated liabilities. The TL funding provided in this way enabled effective cash flow management, providing an advantage in the total funding cost. In addition, the Bank continued to pursue short-term TL placements carried out in markets such as the Takasbank Stock Exchange Money Market and the BIST Borrowing Instruments Market, contributing positively to profitability during the year.

With its cash capital, TSKB prefers to invest in the risk-free, high-yielding securities within the framework of its liquidity management plan. As of the end of 2020, 68% of the Bank's securities portfolio of TL 4.6 billion consisted of the CPI-linked and other variable interest rate assets, and 32% of its securities portfolio consisted of fixed interest rate assets. The average maturity of the TL securities portfolio is 2 years with an average return of 13.7%. The yield of the Bank's USD 405 million FX securities portfolio was increased through Eurobond purchases carried out in 2020.

With market volatility increasing the need for financial protection and given the Bank's proactive approach to its clients, the Bank also performed well with the sales volume of derivatives trading and treasury products for hedging. At the same time, an extensive range of research products consisting of daily newsletters and market comments were presented to clients.

In 2020, TSKB's risk management activities gained importance both through its own balance sheet management and through derivative transactions of its clients. The successful liquidity management helped ensure that the fluctuations in the markets did not negatively affect the Bank's balance sheet.

VALUE-ADDED SERVICES AND SOLUTIONS SHAPED BY THE ADVISOR BANK PERSPECTIVE

In addition to corporate banking and investment banking, TSKB also provides value-added services and solutions needed by the business world and investors with the advisory solutions deriving strength by its expertise in financial and technical evaluation, economic research (see Intellectual Capital) and sustainable banking.

In addition to managing the Bank's know-how and experience in the fields of economic, financial and engineering in an effective and high-quality manner for advisory, the TSKB Advisory Services offer services with a wide range of products in the departments listed below, which are under a single roof, with the objectives of transforming this experience into economic benefit and diversifying revenue,

- Advisory Services and Marketing,
- Economic Research,
- Financial Advisory
- Engineering and Technical Advisory

Through its advisory services, TSKB plans to be a long-term business and solution partner for its clients within the scope of its strategic objectives.

TSKB provides following services

- financial planning and strategy, feasibility, restructuring, valuation and sectoral analysis within the scope of strategic financial advisory

- technical situation assessment, feasibility, industrial transformation, energy/resource efficiency and project-based incentive reporting within the scope of technical advisory
- macroeconomics export strategy and development banking advisory within the scope of economic research

TSKB provides some of its services, which it shapes under the approach of being an advisor bank, through synergistic collaborations with its subsidiaries, TSKB Real Estate Appraisal and ESCARUS. The Bank guides domestic and foreign investors with its visionary advisory services offered in the field of real estate. The Bank is also involved in providing boutique solutions in the integration process of the globally accepted approaches in sustainability into the Turkish business world.

Further successful advisory projects carried out in 2020

In 2020, TSKB successfully completed advisory projects and exceeded last year's performance with new client acquisitions in different sectors and product types.

The contract amount of advisory services increased by 10.4% YoY in 2020. With its strength in multidisciplinary service delivery, TSKB is committed to developing its advisory services and providing its experience and know-how to an increasing number of clients in the coming period.

TSKB shares its experience and know-how with the business world and finance sector by embodying its experience and know-how through the consolidated and inclusive approach of its financial, technical and economic analysis competency. TSKB will continue to diversify its support for sustainable and strong development in the coming period.

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

VALUE GENERATED IN SYNERGY WITH GROUP COMPANIES

YATIRIM FINANSMAN

Turkey's first capital market institution

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

An extensive product range with a strong and widespread service network

Yatırım Finansman, which is one of Turkey's long-established financial institutions, offers individual and institutional investors at home and abroad with fast and reliable access to the capital markets with its branch network, online services and mobile applications within the framework of its "Broadly Authorized Brokerage Institution" status.

With the YFTRADE, YFTRADEMOBILE, YFTRADEINT applications developed by Yatırım Finansman, investors add value to their savings regardless of time and space by carrying out reliable transactions without a broker in domestic and/or foreign markets with laptops, desktop computers or next generation smart devices.

Yatırım Finansman was awarded the Bronze Stevie Award in 2019 in recognition of its YFTRADEMOBILE application as a result of its investments in smart technologies.

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

A brokerage institution operating on the principle of responsible profitability

In 2020, Yatırım Finansman fulfilled its objectives of providing a satisfactory return to both its investors and stakeholders within the framework of the principle of "Responsible Profitability".

Yatırım Finansman, which is 95.8% owned by TSKB as a participation share, is distinguished in the market as one of the most preferred leading brokerage institutions, leading the sector with 9 service providing points throughout Turkey, the TL 161.4 million of equity which it reached in 2020 and in excess of TL 10.1 billion of client assets.

A "client-oriented service" approach which continues without interrupting business continuity

During the pandemic, Yatırım Finansman, which took measures to protect employee health, switched to a rotating distant home working model such that there would be the fewest number of employees in its Head Office and branches. It thus ensured business continuity in such a way that there was no disruption to service quality.

Equal Opportunity Policy

Believing that women's employment is one of the important points of leverage for economic development, Yatırım Finansman, which supports a stronger presence of women in the business world and has implemented a number of projects promoting gender equality within the organization for this purpose, documented its sensitivity in this regard being awarded the KAGİDER Equal Opportunity Certificate (EQC) and the ESCARUS Gender Equality Program Certificate (GEPC) in 2020.

Contributing to efforts to promote the sector

Due to the pandemic in 2020, Yatırım Finansman met university students on online platforms, continuing both financial literacy activities and work in the field of employer branding. During the same period, the company became the main sponsor of the "My Virtual Stock Exchange" competition organized by the Istanbul

Technical University Investment Club.

Yatırım Finansman plans to raise the recognition of capital markets and continue to carry out activities which contribute to financial literacy without interruption with the title of Turkey's first brokerage institution.

Growth target by increasing the number of active clients

Yatırım Finansman aims to increase the number of active clients by 15% each year, both through existing clients to be activated and new acquisitions. Another goal of the Company is to increase its share the share of revenue it obtains from these clients in total revenues to 15%.

Yatırım Finansman, which stands out with its technological infrastructure and innovations in the field of mobile applications in the sector, will continue to respond to the needs of its clients with an innovation-based perspective and invest in online platforms with its technological infrastructure.

TSKB Real Estate Investment Trust (TSKB GYO)

Working to a goal of keeping an efficient real estate portfolio sustainable

Established in 2006, TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) is a real estate investment company set up with the aim of creating and developing an efficient real estate portfolio.

TSKB GYO, in which TSKB holds an 89.13% stake, draws strength from the Bank's 70 years of corporate know-how and experience.

As a capital market institution, TSKB GYO can invest in real estate, real estate projects, real estate-based rights and capital market instruments. It is able to establish common partnerships to realize certain projects and engage in other activities permitted by the relevant communiqué of the CMB (Capital Markets Board).

An investment strategy focused on balance

TSKB GYO's investment strategy, whose core values are consistency, transparency, quality, social responsibility, client focus and teamwork, is based on growth, sustainability and risk management through project development.

The capital of the Company, which stood at TL 10 million at its establishment, was increased to TL 500 million with the increase realized in the third quarter of 2020.

The asset size of TSKB GYO amounted to TL 603 million as of the end of the year with the area of rentable area under its management amounting to 66,000 m².

At the end of 2020, the TSKB GYO real estate portfolio includes the Pendorya Shopping Center with an enclosed area of approximately 80,648 m² and rentable area of 30,573 m² located alongside the E-5 Highway in Pendik, Istanbul, which entered service on 17 December 2009; two office blocks with an enclosed area of 17,827 m² in Fındıklı, Istanbul; the Tahir Inn in Karaköy, Istanbul; the Divan Adana Hotel in the Adana city center, which opened for business in September 2015, and half of the shares of its independent areas.

TSKB GYO and capital markets

Among the objectives of TSKB GYO, which is subject to capital markets legislation, is to contribute to the real estate investments to gain place in capital markets as a liquid and sound investment alternative. TSKB GYO's shares have been open to the public since April 2010 under the TSGYO ticker and were trading on the Borsa Istanbul Sub-Market as of 2020.

A goal of improving profitability

TSKB GYO will maintain its efforts to increase the rental income of Pendorya Mall in 2021 in line with its investment strategy within the scope of increasing existing rental income and diversifying the portfolio. Similarly, the Company aims to increase its profitability by benefiting from the competitive advantage in the region where Divan Adana Hotel is located.

TSKB REAL ESTATE APPRAISAL

The industry leader and a point of reference in the field of appraisal and consultancy

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Gayrimenkul Değerleme-Real Estate Appraisal) was established in 2002 with the aim of providing appraisal services.

TSKB Gayrimenkul Değerleme provides independent and impartial services to its clients in areas such as appraisal, consultancy, machinery-equipment valuation, most efficient and best use analysis, feasibility analysis, market research and sector analysis, tender consultancy and process management, urban transformation consultancy, construction progress and investment monitoring consultancy, concept development consultancy, reviewing appraisal reports, green appraisal and appraisal for trading transactions where foreigners are a party.

The Company carries out all of its activities in accordance with current legislation and the International Appraisal Standards on the basis of confidentiality.



For detailed information concerning Real Estate Appraisal, please see the Intellectual Capital section.

ESCARUS

A leading consultancy company in Turkey's sustainable development

Founded in 2011, TSKB Sustainability Consultancy (ESCARUS) has provides services with its project-oriented approach built on the expertise, experience and know-how developed by TSKB in different disciplines.

ESCARUS, which aims to be the leading consultancy company in Turkey's sustainable development, carries out its activities in three main segments:

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

ESCARUS, which carries out innovative and pioneering projects with its specialised team of professionals, designs and implements high value-added consultancy solutions in fields such as energy, environment, operational efficiency, environmental and social assessment, technical evaluation, management systems, climate change, gender equality, compliance with sustainable development goals and sustainable finance.



For detailed information about ESCARUS, please see the Intellectual Capital section.

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

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

TSKB'S STOCK PERFORMANCE AND INVESTOR RELATIONS ACTIVITIES IN 2020

TSKB, which contributed significantly to the formation of the capital markets in Turkey, was offered to public in 1986. TSKB's shares are traded on the BIST 30 on the Star Market (Yıldız Pazarı) under the "TSKB" ticker. TSKB shares maintain their place in the BIST Corporate Governance and BIST Sustainability Index. TSKB's free float ratio is 38.9%.

In the first half of 2020, the Borsa İstanbul stock market experienced a decline due to geopolitical developments and the uncertainty surrounding the pandemic. However, the stock market recovered with the support of the steps taken by the institutions managing the economy and the strict monetary policy implemented by the CBRT starting from the second half of 2020.

The BIST-100 index went up by 29% to close 2020 at 1,477. The banking index wrapped up the year at 1,558, with a decline of 3%. The share price of TSKB concluded the year at TL 1.78, having started the year at TL 1.21, marking a gain of 47% by positively decoupling from the BIST-100 and the banking index.

The average daily trading volume of TSKB shares, which stood at 33 million lots in 2019, reached 192 million lots in 2020, while the Bank's market capitalization is approximately TL 5 billion (USD 688 million). The proportion of the Bank's free float shares which are held by foreign investors stands at 14.5%. As of the end of the year, the Bank's price/book ratio was 0.88, while its Price/ Earnings ratio was 7.6. TSKB shares continued to trade in the BIST 30 in 2020.

TSKB is covered by 16 brokerage houses. As is routine every year, meetings were held with domestic and

TL 5 billion

TSKB's market capitalization surged up by 47% YoY to TL 5 billion (USD 688 million) in 2020

	2016	2017	2018	2019	2020
TSKB Closing Share Price (TL)	0.98	1.20	0.81	1.21	1.78
Change (%) **	10.7	23.0	-32.7	50	47
The BIST Banking Index	129,549	171,378	117,737	160,169	1558
Change (%) **	8.0	32.3	-31.3	36	-2.7
The BIST 100 Index	78,139	115,333	91,270	114,425	1477
Change (%) **	8.9	47.6	-20.9	25.4	29.1
Relative to BIST Banking Index (%)	2.4	-7.1	-2.0	9.8	51.2
Relative to BIST 100 Index (%)	1.6	-16.7	-14.9	19.2	14

Source: Finnet

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

** Year-to-date change

foreign investors in 2020 with oral and written requests for information being answered.

During the year, informative teleconferences continued to be held for investors and analysts following the announcement of the financial statements in each quarter, and the questions received were answered in detail. The TSKB investor relations presentations can be accessed on the Bank's website.

 <https://www.tskb.com.tr/en/investor-relations/presentations?year=2020>

In 2021, investor relations activities will continue with the aim of increasing contact with domestic and foreign investors. In addition, the Bank aims to increase communication with the ESG and sustainability investors.

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

In 2020, TSKB continued to support the economy despite the difficult conditions brought about by the pandemic. It also strived to maintain a healthy balance sheet structure and effective risk and liquidity management. The Bank's total asset size grew by 24% in TL terms to reach TL 51.5 billion at the end of the year, while its asset volume in USD terms stood at USD 7 billion in the same period. At the end of 2020, 23% of the Bank assets were denominated in Turkish Lira (TL) and 77% in Foreign Currency (FX). Interest-yielding assets comprised 94% of the Bank's total assets. Due to the negative effects of COVID-19, TSKB revised its expectations twice during the year.

In 2020, TSKB disbursed a total of USD 1.3 billion in cash loans within the scope of Corporate Banking, Project Finance and APEX Banking activities. In parallel

with the Bank's resource structure, 89% of the Bank's loans are FX denominated. The cash loan portfolio, which expanded by 24.5% to TL 39.1 billion in 2020, declined by 0.8% on fx-adjusted basis due to weak investment demand and the early redemption of some loans. The share of gross loans in total assets increased from 75.7% at the end of 2019 to 76% at the end of 2020.

Investment loans account for 67% of the Bank's loans while 20% of the loans are working capital loans. The remainder are loans disbursed through the APEX wholesale banking channel. When we look at the currency breakdown of loans, including foreign currency indexed loans, it is seen that 47.5% of the loans are denominated in US Dollars, 42% in Euros and 10.5% in TL.

Investments in electricity generation stand out with a 33% share of the loans disbursed in 2020. These were followed by loans to the financial sector (20%) and loans to the textile sector (10%). In terms of the sectoral distribution of the loan portfolio at the end of the year, 38% of the loans consist of loans disbursed to the electricity generation sector and 14% to the financial sector. These sectors are followed by the metal and machinery, electricity and gas distribution, logistics, chemical and plastics, construction, tourism, real estate, food and beverage and education and health sectors, all of which exhibit a balanced distribution each accounting for 3-8% of the total loans. Sustainability-themed loans comprise 74% of the total loan portfolio.

The share of non-performing loans in total loans, which stood at 3.5% at the end of 2019, edged up to 4.3% at the end of 2020. The ratio of group 2 loans in the total portfolio stood at 11.1%. The restructuring of approximately 80% of group 2 and 3 loans was completed during the year. As a result of the uncertainty and negative effects caused by the pandemic, prudent provisioning policy was maintained. Coverage ratio stand at 13.3% for the group 2 loans and 44.6% for group 3 loans. With the increased coverage ratio at the end of 2020, the net

cost of risk was realized higher than expected, at 226 basis points. CoR is expected to fall back to below 175 basis points on the back of the expected economic recovery in 2021.

The total size of the portfolio of securities, which after loans constitutes the next most important share of assets with a 14.7% share, amounted to TL 7.5 billion at the end of 2020 with growth of 13.4% compared to the previous year. 67% of the portfolio of securities is in TL. At the end of the year, 60% of the portfolio of securities consisted of the securities available for sale while 40% of the portfolio consisted of securities held to maturity. During the year, the ratio of CPI-Linker Securities in the TL portfolio increased from 49% to 51% from 67% to 69%. The average maturity of the portfolio, nearly all of which is funded by free equity, is 2.1 years.

85% of the liability portion of the Bank's balance sheet consists of liabilities denominated in FX in accordance with the asset composition. The funds borrowed went up 22.6% YoY to TL 32.3 billion. Nearly all of these funds consist of medium and long-term funds provided from abroad in foreign currency, with 58% of the loans obtained under the guarantee of the Ministry of Treasury and Finance of the Republic of Turkey.

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

TSKB's shareholders' equity increased by 18.1% to TL 6.1 billion compared to the previous year. However, its share in the liability total decreased from 12.4% to 11.9% due to the rise in exchange rates. The capital adequacy ratio (CAR) stood at 19.4% (16.6%, excluding BRSA regulations) on a solo and consolidated basis as of the end of 2020. TSKB's tier 1 capital adequacy ratio stood at 13.4% (11.3%, excluding BRSA regulations).

the ratio of the Bank's free capital, which was TL 4.6 billion as of the end of 2020, to total assets was 9%. All free capital is utilized in liquid assets.

When the Bank's P/L statement is examined, it is seen that net interest income for 2020 increased by 3.5% to approximately TL 2 billion. The net interest margin increased from 4.2% to 4.5% in 2020 due to changes in the US Dollar/TL exchange rate, interest rates and inflation data, as well as increase in the CPI-linker security yields.

As a result of the organizational restructuring carried out last year, fee and commission revenues increased by 68.5% with the support of advisory activities that gained weight in the Bank's service range.

The total personnel and other operating expenses surged up by 10.1% to approximately TL 222 million. The cost/income ratio fell down from 13.4% to 11.3%.

The total sum of donations and aid made by the Bank during the year stood at TL 785,000. The total expenditures undertaken within the framework of social responsibility projects stood at TL 431,000. TSKB's profit before provisions and tax went up by 32.9% YoY to TL 1.8 billion, while its net profit for the period decreased by 5.6% to TL 732.8 million due to a 106% increase in provision expenses. The Bank recorded a 13% Return on Equity in 2020.

TSKB LOAN CLASSIFICATION (as of 31.12.2020)

	Share in Total	Coverage Ratio
Stage I	84.6%	1.3%
Stage II	11.1%	13.3%
Stage III	4.3%	44.6%
Total	100.0%	4.5%

FINANCIAL CAPITAL

2020 FINANCIAL PERFORMANCE AND 2021 PROJECTIONS

FINANCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

Financial Guidance (Bank-Only) (%)	2020 Target	2020 Realization
FX-Adjusted Loan Growth	flat	-0.8
Fees & Commissions Growth	>50	68.5
OPEX Growth	~10	8.9
Net Interest Margin (adjusted*)	~4.5	4.5
Return on Tangible Equity Ratio	>14 (**)	13.6 (**)
Cost / Income Ratio	~12	11.3
Capital Adequacy Ratio (***)	~15.5	16.6
NPL Ratio	<3.5	4.3
Net CoR	<200 basis points	226 basis points

* Swap adjusted.

** Excluding forbearance.

2021 TARGETS



FX-adjusted Loan Growth

3-5%

TSKB aims to expand its loan volume by 3-5% in 2021, adjusted for the exchange rate effect.



Fees & Commissions Growth

20%

Commissions obtained from Advisory and Investment Banking are expected to continue to support revenues at an increasing rate.



Return on Equity Ratio

14%

On the back of the activities in 2021, the Return on Equity ratio is predicted to reach 14%.

2021 TARGETS

Financial Guidance (Bank Only)		Expectations for 2021 (%)
Growth		
F1	Foreign Currency Adjusted Loan Growth	3-5
Profitability		
F2	Fees & Commissions Growth	~20
F3	Net Interest Margin (adjusted*)	~4
F4	Return on Equity	~14
Efficiency		
F5	Operating Expenses	<20
F6	Cost / Income Ratio	~14
Solvency **		
F7	Capital Adequacy Ratio	~15.5
F8	Tier I Ratio	~10.5
Asset Quality		
F13	Stage II Loans Ratio	~15
F14	NPL Ratio	~4.5
F15	Net CoR	<175 basis points

* Swap adjusted.

** With the transition to TAS27, 2021 guidance has been given for Return on Equity.



CAPITAL



HUMAN CAPITAL



HUMAN RESOURCES AND THEIR DEVELOPMENT IN 2020

TSKB maintains its investments in human resources (HR) and their development under a sustainable approach which takes into account the requirements of its corporate strategy.

During the pandemic, 87% of the Bank's employees were working remotely. At the same time, the most stringent measures were put in place in all areas of the Bank and a healthy working environment was provided by introducing new rules and regulations in accordance with the needs of the pandemic.

The Pandemic

Depending on the course of the Covid-19 cases in our country, measures were taken in all areas in order to ensure that the activities carried out with clients and other stakeholders could be performed in a complete and effective manner, while placing paramount importance on the health of the Bank's employees. The work had largely got underway as of March as ratio of employees working remotely stood at 87%. Short-, medium- and long- term human resources planning, backup of critical employees and business continuity plans were carried out. During the pandemic, the Bank's senior management, HR department and other teams were in constant communication with employees, with employees were directed not to be at the Bank unless necessary. On the other hand, stringent measures were put in place in all areas of the Bank and a healthy working environment was provided by introducing new rules and regulations in accordance with the needs of the pandemic. According to the results of the employee satisfaction survey, the satisfaction ratio among the Bank's employees with regard to the measures taken by the Bank to tackle Covid-19 stood at 83%.

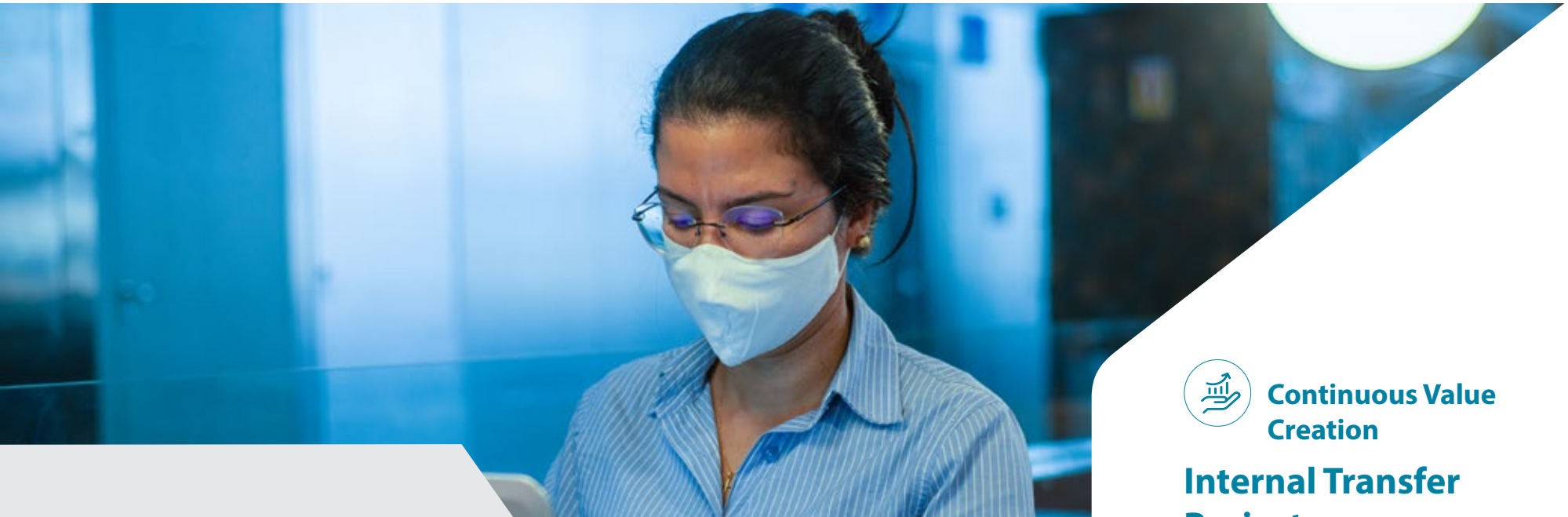
TSKB implemented numerous digital HR projects in 2020.

At TSKB, the digitalisation got underway at the beginning of 2020 with the aim of providing more user-friendly HR projects applications and to increase the traceability and transparency of the system.

The establishment of system infrastructure, the performance management system and the targets screen, employee self-service, personal management, organizational schemes and recruitment management modules were launched on the digital HR platform.

Through the TSKB Technical Knowledge and Skills Library, the department-based technical knowledge and skills, which are defined for each title and at different levels, was updated. The Technical Knowledge and Skills Library is used to support the employees with horizontal career movements and to monitor them, in addition to determining their developmental needs.

During the pandemic, the Bank's senior management, the Human Resources department and other service units were in constant communication with employees and employees were directed to work from home unless necessary.



In 2020, a training and development journey was launched for all title groups under the motto of “Become a Partner to the Future”. In this context, the Competency Development Program was offered to all title groups below the level of manager, the Managerial Development Programs with a range of content was presented to group managers and managers, and the Leadership Development Program was presented to executives.

The Critical Position Backup work was carried out in order to bring a systematic practice to the backup efforts while preparing TSKB for the future. In this context, one-to-one plans were drawn up in parallel with development needs for the potential employees who are substitutes.

With the Internal Transfer Project, which supports horizontal career movements within the scope of improving the work diversity, technical knowledge, skills and competencies of the TSKB employees, 14 employees were offered the opportunity to change their departments and five employees were offered

experience in different departments with the Rotation Project.

Since 2017, volunteer HR representatives from every department have been communicating their opinions and feedbacks to the HR and acting as a bridge in the transparent transfer of HR applications to the teams.

In order to transfer the questions, opinions and suggestions and needs in pandemic period individual meetings were held with the HR representatives and periodic meetings continued in 2020.

TSKB HR team met with the departments separately and informed all departments about HR practices in 2020.

12% of the TSKB banking staff assumed the role of HR Representative until 2021. These applications will continue in 2021.



Continuous Value Creation

Internal Transfer Project

14 employees were given the opportunity to work in different departments

Rotation Project

5 employees were given the opportunity to experience different disciplines



Future Projection

- » External factors are shaped by expectations, suggestions and feedback from HR representatives as well as the Bank's strategy.
- » The Human Capital targets are set out on page 75.

HUMAN CAPITAL

HUMAN RESOURCE DEVELOPMENT IN 2020

Flexible and remote working models

In addition to the Flexible Working Model application at TSKB, in order to adapt to changing working conditions and improve efficiency, the Remote Working Model, which was launched as a pilot application in 2019, was implemented throughout the Bank in March 2020 with the pandemic. Early preparations had already been carried out before, helping to speed up the transition and lead to a considerably more comfortable process during the pandemic.

TSKB is expected to move towards a hybrid model of working in 2021 as the pandemic is left behind.

Work towards an agile organization

In addition to the goal of more efficient human resources, an agile working methodology is being applied with the support of in-house coaches in pilot projects.

In order to spread the agile culture, the organizational agile transformation strategy and goals were conveyed to the senior management and HR representatives. In addition, the work units in agile projects participated in various training programs.



In addition to the Flexible Working Model application, the Remote Working Model, which was launched as a pilot application in 2019, was implemented throughout the Bank in March 2020 with the pandemic.

In order to spread the agility culture throughout TSKB, a group of volunteer agile coaches was formed in 2020, with work carried out and plans regarding the rollout of the agile transformation drawn up during the meetings.

TSKB plans to increase the number of agile projects in 2021.

TSKB Technology and Entrepreneurship Platform

The TSKB Technology and Entrepreneurship Platform was established in cooperation with the Turkish Entrepreneurship Foundation (GirVak) in 2018 in order to keep up with the rapid change taking place in the world and to develop new ways of doing business and innovative perspectives. As a continuation of the platform, Entrepreneurship Day was held in March 2020 with the participation of TSKB employees, angel investors, entrepreneurs and representatives from the GirVak Foundation.

Within the scope of the TSKB Technology and Entrepreneurship Platform, three entrepreneurs were hosted in 2020, with a series of inspiring speeches and two trend conversations hosted by GirVak.

The entrepreneurial spirit and excitement of the GirVak representatives was brought together with the expert banking experience of employees in the idea workshop held within the scope of the Covid-19 and Digitalization. The working groups developed ideas to tackle the problems they identified.

The SDG Rating Tool project, which is one of the projects introduced in 2019, continues its activities with a larger team in cooperation with TSKB and Escarus. With the "SDG Tool", the contributions of companies operating in our country to the "United Nations 2030 Goals" will be calculated and development areas will be determined.

Strong employer branding

In 2020, TSKB employees took part in various courses and programs in six different universities within the scope of strong employer branding.

The content of the seminars and courses attended are determined for the needs of undergraduate and graduate students, but are mostly focused on the subjects of Finance and Development Economics. In addition to discussing technical subjects in the courses they had attended, employees of the Bank also conveyed the reflections of academic knowledge which they had learned at university and in business life to the students. While the collaborations with target universities continued, presentations were offered in accordance with the target audience in virtual career fairs.

Interaction with young talent

TSKB engages with young talents at a very early stage of their career, during their university years. In 2020, 14 interns worked on a part-time basis in the Bank for at least 6 months. They have the chance to start work as an junior associate with their graduation after the internship period, which is no different from real work experience.

Training Catalogue

The focus of the Education Catalogue, which is one of the most important tools of the continuous development goal, has been the webinars presented in different topics from stress management to positive psychology and new business models in a manner which covers all employees in parallel with the pandemic in 2020.

TSKB family strengthens with the addition of 46 new employees

In 2020, a total of 46 new employees, including 10 new graduates and 36 experienced employees joined TSKB to meet the needs of different departments, within the scope of the recruitment activities carried out.

Bonus payments to employees

In line with TSKB's strategie and long-term targets, TSKB's employees are paid an annual bonus in line with risk management structures and by taking into account ethical values and internal balances.

As with HR practices, gender equality is taken into account in remuneration management. The balance in the remuneration ratio is constantly paid regard.

Digital HR Platform

With the digital HR platform, efforts were carried out to simplify HR processes and increase their effectiveness and visibility, to provide a modern and contemporary infrastructure, to manage processes in an integrated structure and to establish a culture of feedback and open communication.

In 2021, work will continue to ensure that the end-user-oriented feedback, retention, training and development, career management portal modules are available for use.



TRAINING PROGRAMS AT TSKB

TSKB aims to develop its human resources with tailored training programs.

In line with this goal, the Bank conducts various training and development activities with the aim of developing the technical and professional knowledge of its employees as well as their personal skills. The average training time per employee was 60 hours in 2020.

Training programs are offered to TSKB employees on various topics in addition to mandatory trainings, as well as technical and vocational training. Orientation and mentoring system processes are put in place to ensure that employees who have just joined TSKB are able to adapt quickly to the organization.

TSKB offers different programs to employees at all levels in order to improve their managerial skills and to prepare them for the future. In this context, one-to-one coaching is provided to department managers, and training programs are organized in Turkey and abroad to improve their leadership skills.

"BECOME A PARTNER FOR THE FUTURE" PROGRAM

In 2020, TSKB started its development journey with a time-spanned and integrated structure which will pave the way for permanent learning under the motto of "Become a Partner for the Future". In this context, the Leadership Development Program is offered to managers, and the Managerial Development Programs are offered to group managers and executives with different content. An integrated online training program consisting of four modules, with a focus on different leadership competencies in each module containing classroom exercises, assignments and discussions was offered.

Meanwhile, the Competency Development Program was offered to employees up to the manager level. Individual Development Plans measure the degree of readiness of TSKB employees for senior positions, and are prepared based on the potential evaluation and the 360 degree competency assessment, which are carried out within the scope of the potential and organizational development work. In 2019, the Individual Development Plans formed the basis of the Competency Development Program. Within the scope of this program, TSKB employees determined two competencies they sought to develop together with their managers. In 2020, they started their development journeys within the framework of the integrated learning model with both online training content and in-class training and homework with follow up webinars. In addition, employees were involved in the organization of the programs, enabling the implementation of training with the action development forms prepared.

In 2021, one-to-one coaching, domestic and abroad development training programs, as well as participation in technical/professional training programs will be provided to support the development of employees determined within the framework of critical position backup work.

HUMAN CAPITAL

HUMAN RESOURCE DEVELOPMENT IN 2020

The TSKB Gender Equality Policy was published.

https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Gender_Equality_Policy.pdf

Employee Engagement and Satisfaction

TSKB believes that the most successful way to develop a business is through the observations and evaluations of people within the institution. For that purpose, employee satisfaction surveys are conducted periodically at TSKB. With these surveys, TSKB regularly measures the level of satisfaction and engagement of its employees and takes action in line with its improvement targets by providing where its employees are able to submit their thoughts and feedbacks. a routine platform where its employees are able to submit their thoughts and feedbacks.

In 2020, 321 employees responded to the employee satisfaction survey with a participation rate of 83%.

Under the motto of “Become a Partner for the Future”, in 2020 TSKB embarked on its development journey, which will span time periods with an integrated structure and will pave the way for continuous learning.

TSKB's efforts to improve employee engagement were reflected in the survey's findings.

In order to carry out practices on an equitable basis without adopting any different approaches in processes, necessary reporting was conducted within the scope of full compliance with the Equal Opportunity Model (EOM) in 2020, meeting all responsibilities stipulated under the model with all required actions being taken. The process of obtaining the EOM certificate for TSKB Real Estate Appraisal and Yatırım Finansman, TSKB's subsidiaries, was successfully completed. ESCARUS was awarded the Advanced Gender Equality Program certificate (GEPC).

TSKB Gender Equality Policy was published to determine TSKB's responsibilities and principles regarding its internal and external practices and in drawing up strategies which respect gender equality.

TSKB carried out its investments in human resources and their multifaceted development with determination and with an approach that takes into account the requirements of its corporate strategy.

TSKB offers a variety of programs at all levels in order to develop managerial skills and prepare its employees for the future.

Key Findings of the Employee Satisfaction Survey

The **employee engagement score increased by 1.8%** in the last 1 year. One area which contributed to the increase in the employee engagement score was the process management demonstrated throughout the pandemic.

The **highest score in employee satisfaction** was achieved in the **Process Management in the Pandemic**. The related work was also reflected in the increased scores in Collaboration and Teamwork and In-house Communication.

The job satisfaction area has exhibited an increasing **trend over the last 3 years**.

The score for Career Planning, the area to record the greatest progress compared to the previous year, also increased in 2020.

Increases were observed in almost all areas, including career planning, job satisfaction, collaboration and teamwork, interdepartmental communication and performance management, which were determined as priority development areas for 2020.

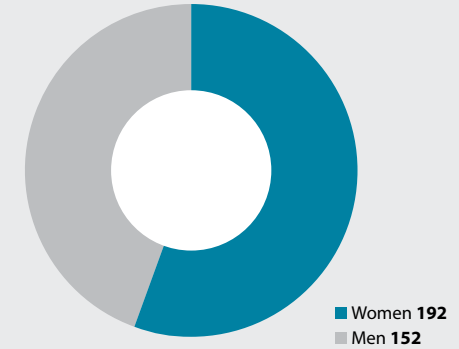
TSKB AND ITS SUBSIDIARIES – KEY DEMOGRAPHIC INFORMATION

Number of Employees - as of 31.12.2020	TSKB	TSKB Real Estate Appraisal	TSKB GYO	Escarus	Yatırım Finansman
Female	192	55	6	7	52
Male	152	41	5	4	63
21-30 (age)	101	37	2	2	24
31-40	161	56	5	6	34
41-50	69	3	2	3	53
51+	13		2		4
Headquarter	341	51	11	11	75
Branch	3	45			40
PhD	2			1	1
Masters	117	5	3	7	23
University	218	77	7	3	87
College	5	8			1
High School	1	6	1		1
Elementary School	1				2

THE NUMBER OF WOMEN WORKING AT TSKB

192

The ratio of women among employees at TSKB stood at 56%.



HUMAN CAPITAL

EFFICIENCY AND PROCESS IMPROVEMENT PROJECTS

In 2021, digitalization and innovation will remain priority topics for TSKB.

EFFICIENCY AND PROCESS IMPROVEMENT PROJECTS

In 2020, TSKB carried out a number of projects in the areas of client satisfaction, quality of service, decision support systems, loan allocation, monitoring and compliance within the framework of the goals and corporate architectural principles set out in its strategic plan. In addition, R&D and project design studies were carried out in the fields of digitalization and innovation.

New applications were implemented within the scope of Robotic Process Automation (RPA). Training programs were carried out to roll out the agile management model and agile coaches and volunteer teams were established.

While the activities determined in the project plan were carried out with agile working methodology, work was carried out by the agile coaches on compliance with the methodology. All processes were remodelled on the TSKB process management model and application, which were revised for the purpose of monitoring the Bank processes in an integrated structure.

The Chatbot (Digital Assistant) application for intrabank use was launched. Improvements were made to the main banking applications with the user experience principles and new software technologies. revisions were continued to make business continuity and emergency response applications more effective.

In the information technology (IT) infrastructure, new technology and integration projects, which will support TSKB's strategic goals, continued in 2020. Improvements were made to infrastructure, applications, and workflows in order to support the distant efficient and secure work. New tools have been deployed for use in order to improve code security and quality.

Within the scope of compliance with legislation, reporting and integration work was carried out within

official institutions. The Sandbox security solution was implemented to detect and block malware and links within emails originating from outside the organization. The Application White List security solution was commissioned on server and user computers to only allow approved applications to run.

In 2021, digitalization and innovation will remain priority topics for TSKB. Analysis and improvement work will be carried out in accordance with the renewed model for the TSKB processes. Emphasis will be placed on security and the use of new technologies in the IT infrastructure. Revision work in the main banking applications based on new technologies and user experience principles will continue.



2020 TARGETS	2020 REALIZATIONS
Increase in employee efficiency by conducting R&D and project design studies on digitalization and innovation throughout TSKB.	
The Bank aims to enrich Robotic Process Automation with new processes in 2020.	The second Hackathon event on the RPA was held. All processes proposed in the first and second Hackathons were evaluated within the scope of the RPA. The work carried out for the implementation of the processes, which were prioritized for 2020 following the evaluation, were completed.
The Bank aims to spread the agility culture throughout the Bank in 2020 with volunteer Agile Coaches from within the Bank and to increase the number of agile projects.	Work on agile projects included in the 2020 Master Plan was carried out. In order to enhance the culture of agility, coaching practices were carried out for the project teams. The Agility Mail field was opened on the intranet and content related to agility was shared.
HR Applications software will be purchased to offer a modern, contemporary infrastructure which will be used by employees, will manage processes in an integrated structure and embed a culture of feedback and open communication.	Purchasing was realized. Efforts continue to launch software on a module basis.
Increase employees' engagement through training and development programs and alternative projects in line with their competencies and potentials.	
The Bank aims to start international and/ or domestic programs and one-to-one coaching activities selected from high-reputation institutions on leadership for those employees with high potential and high performance	In the last quarter of the year, one-to-one meetings were held with all managers for the process, which had been put on hold due to the pandemic. The requirements were reviewed and the agreement was reached for 2021.
Under the new development program program, managers will be included in the "Leadership Development Program", senior managers and managers will be included in the "Managerial Development Program", and senior managers and the rest of the banking staff will be included in the "Competency Development Program".	The programs, which were set up in an integrated structure involving online training and virtual classroom activities with the participation of different title groups, were concluded in December. The Leadership and Managerial Development Program included training in 4 different modules while the Competency Development Program included training on 2 competencies selected by the participants.
The Bank aims to adapt the results of the four main systems consisting of the Performance Management System, the 360 Degree Feedback Survey, Technical Information Skill Management and Potential System to the Bank in the most efficient way in 2020.	It took place at the beginning of 2020 and 4 modules were made available to the employees by launching the application in-house. Efforts were conducted to ensure that the applications were user-friendly and to increase the traceability of the process. Remote support was actively provided by providing informative documents to the employees.
The Bank aims to increase the motivation of employees to innovate in different fields of interest and subjects.	Within the scope of the TSKB Technology and Enterprise Platform, which we organized in partnership with the Enterprise Foundation, we met entrepreneurial names online on a number of occasions and held the Idea Workshop with the Covid-19 & Digitalization theme.
The Bank aims to maintain the focus on equal opportunity across the institution.	Our Bank was awarded the "Advanced Gender Equality Program Certificate" (GEPC) issued by our subsidiary ESCARUS The TSKB Gender Equality Policy was published. Two of our subsidiary companies subsidiaries the process of obtaining the EOM certificate.

HUMAN CAPITAL

HUMAN CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

2020 KEY PERFORMANCE INDICATORS

Average remote working ratio for 2020*	▶	87% ✓
Ratio of women in the management	▶	51% ✓
Ratio of women among total employees	▶	56% ✓
Ratio of women on the Board of Directors	▶	27% ✓
Gender pay gap **	▶	0.04 ✓
Employee engagement score	▶	80.4%
Average training hours per employee per year	▶	59.56 ✓
Employee turnover rate ***	▶	0%
Participation rate in employee satisfaction survey	▶	83% ✓
Increase in the rate of employee loyalty, performance management, training and development satisfaction - aspects of Employee Satisfaction Survey - compared to 2019	▶	2.6%
Rate of satisfaction regarding measures taken by the Bank within the scope of Covid-19, according to the employee satisfaction survey	▶	83% ✓

* As of March, a remote working model has been implemented throughout the Bank.

** The gender pay gap is given according to the median value.

*** The turnover rate among high-performing employees.

FUTURE TARGETS



H1

TSKB aims to complete the new processes, the development of which continues within the scope of Robotic Process Automation, start the new processes upon completion of their evaluations and continue to increase the number of processes.



H2

In 2021, TSKB aims to carry out coaching activities with project teams in order to reinforce the methodology in agile projects, and to organize training programs and workshops to roll out the culture of agility.



H3

In 2021, the Bank plans to open all human resources processes for the use of the employees in integration with the digital HR platform.



H4

In 2021, TSKB aims to ensure the participation of employees determined within the framework of the critical position backup work which carried out within the scope of organizational development activities at TSKB, with the aim of supporting their development.



H5

In 2021, TSKB aims to reinforce the “Managerial Development Program” and to deepen the knowledge of employees taking part in the “Competency Development Program”, and to follow up their development in line with the targets they set.



H6

Work on bringing end-user-focused HR systems into practice, still in progress in 2021, will continue. In the Performance Management System, which has been actively used for the last two years, work will be carried out to identify areas of improvement and to run the System more effectively.



H7

TSKB aims to keep the spirit of in-house enterprise alive in the coming period by coming together with employees and entrepreneurs, and to bring employees together with key figures from the world of entrepreneurship.



H8

TSKB aims to attach importance to gender equality within the institution to continue to act in line with the principle of equality in the HR practices.



H9

TSKB aims to obtain the ISO 45001 Occupational Health and Safety Certificate in 2021.



H10

In order to strengthen sustainability governance in a manner which covers the entire Bank, TSKB aims to deepen the sustainability awareness within the Bank.

CAPITAL



NATURAL CAPITAL



TSKB SUSTAINABILITY MANAGEMENT SYSTEM

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

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

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

Sustainability Policy at the heart of the TSKB SMS

In 2012, TSKB expanded the scope of its Environmental Policy, which was published in 2006, and revised Policy as a Sustainability Policy. As of the end of 2020, the TSKB SMS is managed under the Sustainability Policy dated 26 February 2015.

The Bank supports the Sustainability Policy with complementary policies under the environmental, social and governance themes. In the annexe of the TSKB Environmental and Social Impact Policy, one of the complementary policies, a List of Activities Not to be Financed was published, setting out the activities which TSKB would not finance on behalf of responsible banking.

SUSTAINABILITY COMMITTEE

All sustainability works across the Bank are managed by the Sustainability Committee, which was established in 2014. At the end of 2020, the Committee comprised of three Board Members, the CEO and two Executive Vice Presidents. ✓

The appointment of members to the Sustainability Committee is carried out with the decision of the Board of Directors.

The mission of the Committee is the coordination of the work and business plans, which will be created within the scope of TSKB's sustainability strategy vision and targets.

Steps to achieve more inclusive and effective results

In 2019, a structural change was made in the management of the TSKB Sustainability Committee and the Executive Vice Presidents of the Bank's main activities, such as Project Finance, Corporate Banking, Loan Allocation and Monitoring, Budget Planning, Financial Institutions and Investor Relations, Development Finance Institutions and Engineering and Technical Advisory were selected as committee members.

In 2020, with the participation of the Bank's CEO as a committee member, the Sustainability Committee evolved into a structure which would manage all targets and strategies under a macro perspective.

This structural change is aimed at planning and managing the Bank's core strategies and targets and ensuring the Committee's work and objectives in a more inclusive, effective and synchronized manner.

The work of the Sustainability Committee is supported by the Sustainability Subcommittee and working groups, in which representatives from different departments of TSKB are active members. In 2020, Sustainability Committee meeting took place 3 times. ✓



Continuous Value Creation

SUSTAINABLE AND INCLUSIVE FINANCE LOAN PORTFOLIO

74%

The focus on sustainability comes to the forefront in loan activities

SHARE OF RENEWABLE ENERGY IN THE LOAN PORTFOLIO

33%

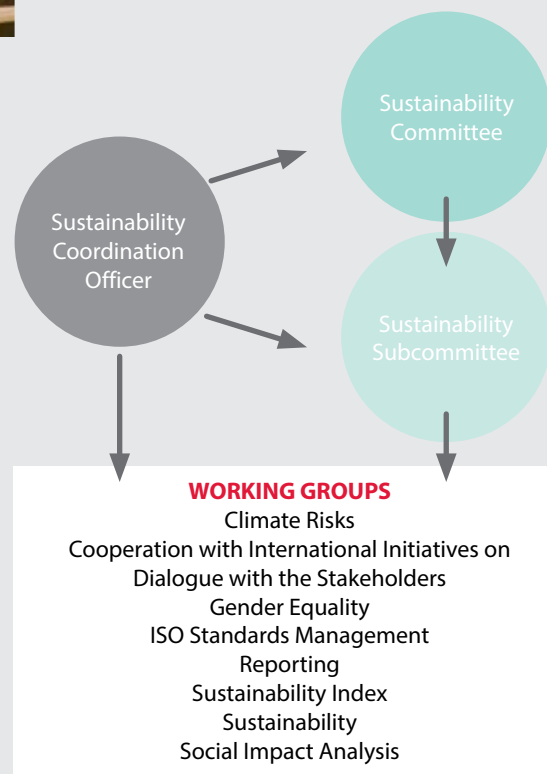
TSKB's strong contribution to the transition to a low carbon economy

Future Projections



- » While TSKB continues to support the transition to a low carbon economy, it will intensify its works on harmonizing the risks and opportunities presented by climate change with its activities, and on analysing its impacts. The Bank's contribution to the SDGs will form a prominent part of its strategic focus.
- » The Natural Capital Targets are set out on page 94-95.

TSKB's SUSTAINABILITY ORGANIZATION ✓



Sustainability Subcommittee

In parallel with TSKB's vision, strategy, targets and business plans on sustainability and climate change, a Sustainability Subcommittee was established in order to roll out sustainability activities throughout the Bank and to ensure their integration with all business processes.

The Sustainability Subcommittee, which consists of managers and employees from different departments, reports its activities to the TSKB Sustainability Committee.

The annual targets of the Sustainability Subcommittee are determined in a clear and measurable manner and the targets are reflected in the performance scorecards of all subcommittee members.

The internal coordination of the sustainability structure at TSKB is carried out by the Sustainability Coordination Officer. In 2020, Sustainability Subcommittee meeting took place 7 times. ✓

NATURAL CAPITAL

TSKB SUSTAINABILITY MANAGEMENT SYSTEM

Eight working groups operating in synergy

Work on sustainability at TSKB

Sustainability work was conducted in an integrated manner by eight different Working Groups under the Sustainability Subcommittee.

Activities of the Sustainability Subcommittee Working Groups in 2020

In 2020, at TSKB, sustainability work was carried out by eight different Working Groups under the Sustainability Subcommittee.

The sustainability working groups held numerous meetings throughout 2020 within the scope of their projects. The appointments of members to the Working Groups are carried out by the TSKB Executive Committee. As of the end of 2020, 15% of TSKB's employees were members of the sustainability working groups. The objectives of the Sustainability Committee are distributed to every employee involved in this structure and are considered within the scope of employee performance evaluation.

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

An ESG Strategy enriched by the outcomes of Sustainability Meetings

The Bank carried out brainstorming sessions with its employees during its Sustainability Meetings in a bid to deepen its sustainability strategy and promote its integrated perspective. The outcomes of the workshops organized by Escarus will guide Bank's ESG strategy in the coming period.

The Climate Risks Working Group

Climate change poses financial risks to the banking sector but also presents a variety of opportunities. From this point on, a Climate Risks Working Group was established within the sustainability structure in 2020.

The Group is working to measure, manage and integrate the Bank's financial risks from climate change into the bank risk model.

The Gender Equality Working Group

TSKB joined the International Development Finance Club (IDFC)'s Management Committee in 2019 and continued its activities as the Chairman of the Gender Equality Working Group within the Club in 2020.

The Group prepared and published the Bank's Gender Equality Policy in 2020.

The ISO Standards Management Working Group

With its work in 2020, the Group successfully completed the Bank's ISO 14001 and ISO 14064 audits.

The Reporting Working Group

The Group closely followed the latest trends in domestic and global good practices and coordinated the sustainability reporting of the Bank, in particular the Integrated Annual Report, by closely following internationally recognized standards.

The Social Impact Analysis Working Group

The Social Impact Analysis Working Group continued to closely follow examples of national and international good practice to develop TSKB's social impact analysis approach in its lending activities and to prepare training programs.

The Stakeholders Dialogue Working Group

The Group carried out the communication activities of the Bank's sustainability efforts and continued to share information at the zero carbon events and on the sustainability-themed portals.

In 2020, the Climate Risks Working Group represented TSKB in the Phase 2 Banking Pilot Program of the UNEP-FI Task Force for Climate-Related Financial Disclosures (TCFD), in which TSKB was the only participant from Turkey, and carried out work in line with the TCFD recommendations.

In addition to carrying out detailed matching and reporting work on the contribution of investment and working capital loans disbursed by TSKB to the SDGs, the Group also carries out work to set out actions which will increase the social benefits of its investments.

The Sustainability Index Working Group

The Sustainability Index Working Group managed relations with the BIST Sustainability Index and international sustainability assessment companies. Within the scope of the evaluations carried out, the Group coordinated the improvements and work to be implemented within the Bank.

With the support of the work implemented, TSKB maintained its position in the BIST Sustainability Index in 2020. TSKB ranked first in Turkey on the basis of the ESG risk rating given for institutions evaluated by Sustainalytics.

The Cooperation with International Initiatives on Sustainability Working Group

The Group, which started its activities in 2020, was established in 2019 to determine the need for resources for studies to be carried out together with international and supranational financial institutions, which the Bank cooperates with under the scope of sustainability, and international initiatives such as IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc., and organizes the work. The Group carries out its activities within this scope.



DECLARATIONS TO WHICH TSKB IS A SIGNATORY

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

- The 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 issued by the EBRD and UNEP FI
- Global Compact Turkey - Declaration of Sustainable Finance
- UNEP-FI Principles for Responsible Banking (Founding Signatory)
- The IDFC Gender Equality and Gender Equity Statement

Under the IDFC Finance in Common Summit*;

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

* IDFC Finance in Common Summit is the first global meeting of development banks around the world, organized in November 2020 under the leadership of IDFC.

NATURAL CAPITAL

TSKB SUSTAINABILITY MANAGEMENT SYSTEM

TSKB undertakes the directorship of the Coordination Unit jointly with the Latin American Development Bank (CAF), the German Development Bank (KfW) and the French Development Agency (AFD) within the scope of the IDFC Climate Facility, which was established in 2019 in order to support the climate finance activities carried out by IDFC members.


In the Finance in Common Summit, TSKB announced its support for the Joint Declaration on Public Development Banks supported by the IDFC, the ELTI and the D20-LTIC (D20-Long Term Investors Club), of which it is a member, as well as joint declarations on themes such as climate and gender equality.

The IDFC Climate Facility was established in 2019 to support the climate finance activities of the IDFC members. TSKB conducts the directorship of the Coordination Unit, which includes the Latin American Development Bank (CAF), the German Development Bank (KfW) and the French Development Agency (AFD) as part of the IDFC Climate Facility.


TSKB will maintain its position as the Chairman of the Banks Association of Turkey Working Group established in 2020. In this context, the bank coordinated the work to update the "Sustainability Guide for the Banking Sector", which was published in 2014, and includes good practices of the contribution of the banking and financial sector to sustainable development.



TSKB is also actively involved in the roundtable work conducted by TUSIAD (the Turkish Industrialists and Business People Association) and supports the projects developed. In this context, the “New Climate Regime Report through the Lens of Economic Indicators” project, which was prepared in 2020 under the leadership of the Environment and Climate Change Working Group, was supported both through the consultancy and membership of the Steering Committee. The report can be found at the link below.

 <https://tusiad.org/en/press-releases/item/10643-tusiad-s-the-new-climate-regime-through-the-lens-of-economic-indicators-report-was-introduced>

Another activity carried out was the “Turkey’s Gender Equality Report Card in 81 Provinces” project. The report, which was prepared under the leadership of TOBB (the Union of Chambers and Commodity Exchanges of Turkey) and TSKB in cooperation with TEPAV (the Economic Policy Research Foundation of Turkey), was shared with the public through an online meeting. The report can be found at the link below.

 <https://www.tskb.com.tr/web/307-4601-1-1/tskb-site-en/en-hakkimizda/tskdden-haberler-en/gender-equality-scorecard-for-81-provinces-in-turkey-published>

TSKB has been applying the ERET model in all of the investment projects it has focused on since 2007

The Environmental and Social Risk Evaluation Tool was designed in 2005. The model was developed with the aim of;

- resetting the differences in competence and experience between experts in the environmental and the social risk categorization process of projects,
- ensuring the utilization of a consistent and standardized methodology
- providing risk management in a manner
- which would cover specific risks.

THE ERET MODEL

MANAGEMENT OF ENVIRONMENTAL AND SOCIAL IMPACTS ARISING FROM LENDING ACTIVITIES

In line with the principles of responsible banking, TSKB attaches importance to the determination of the potential risk and impact revealed in the evaluation of the environmental and social impacts of projects under an objective approach.

This process requires a comprehensive assessment, and the extent of the environmental and social impacts found is discussed in cooperation with investors prior to lending. In light of the findings obtained as a result of the project evaluation, issues which need to be managed and the actions to be taken are determined and shared with 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 the Bank’s website.

TSKB is the representative of a knowledge banking culture. TSKB also undertook pioneering applications in the measurement of environmental and social risks. With the start of the loan process, the follow-up of the relevant project plans is carried out by TSKB engineers or independent environmental and social consultants. TSKB meticulously monitors the implementation of these plans and manages the environmental and social risks of the projects it finances.

Since 2007, the Bank has been evaluating all investment projects that are suitable for financing independently of the investment amount and/or credit limit within this scope. The ERET Model addresses the potential environmental impacts of projects such as waste, emissions and noise, as well as potential social impacts such as impacts on stakeholders, expropriation methods, physical and economic displacement.

In all investment projects funded by the ERET Model, a sustainability approach is implemented that meets the environmental, social and occupational health and safety (OHS) standards of development finance organizations.

The ERET Model is also in line with the criteria laid out in the Equatorial Principles, which are prepared on the basis of the standards set out by the IFC and the World Bank and applied by banks operating in developed economies.

ERET - a model with a multi-disciplinary assessment structure in investment loans

The environmental and social risk rating methodology of the ERET Model is constantly reviewed by TSKB teams. According to changing conditions, the weighting of high-risk topics can be increased in the calculation process and risky issues are highlighted.

In 2020, the ERET Model was reviewed with a comprehensive study and the necessary updates were carried out to keep the model in line with the environmental and social risk management principles in the international finance sector. In this context, the revised standards of the World Bank and the 4th published version of the Equator Principles were scrutinised. The implementation processes of the ERET Model at TSKB were also evaluated and business processes were improved upon.

NATURAL CAPITAL

THE ERET MODEL

The current project risks measurement model consists of 35 questions covered under five main headlines. The project risks measurement model is based on the examination of the environmental and social impacts which may result from the investment project being evaluated for financing by TSKB, and the possible legal and financial obligations under the current and forward-looking perspective.

According to the environmental and social risk score obtained as a result of the evaluation, work to mitigate and monitor the impacts is structured within a plan prepared in cooperation with the investor. The environmental and social risk scores of the investment projects evaluated in 2020 were as follows.

	Project
High risk A	4
Medium-sensitive risk B+	11
Medium risk B-	19
Low risk C	3

The high-risk projects evaluated in 2020 consisted of investments in hydroelectric power plants, wind farms, ports and the iron and steel industry. Environmental and social risk assessment work was carried out for these investments and Environmental and Social Action Plans were established for effective risk management. Investments with medium-sensitive risk include investments in wind energy, solar energy, biomass and biogas energy. Environmental and Social Action Plans are drawn up for these investment, and their application followed.

As required under TSKB's risk management approach, the environmental and social risks arising from the current activities of the project owners/investors being financed are also measured through the use of the ERET Model. The environmental and social risks borne by clients are taken into account by the Credit Committee in the loan decision process. The evaluation within the ERET Model, which is defined as the client risk, consists of 12 questions under 5 headings.

The environmental and social risk scores of the

evaluated in 2020 were as follows.

	Company
High risk A	3
Medium-sensitive risk B+	14
Medium risk B-	16
Low risk C	3

With its structure designed to measure investment and investor risk, the ERET Model is a very powerful tool at TSKB's disposal in the effective management of environmental and social risks.

In addition to contributing to the project evaluation process, the ERET Model, which has been implemented since 2007, has also allowed TSKB to create a depth of intellectual capital and know-how. On the other hand, the environmental and social risk evaluation also helps raise awareness within the institutions receiving financing. TSKB generates value in accordance with the principle of generating responsible revenue for both the Bank and its stakeholders with the ERET Model it has implemented.

The environmental and social risk assessment model in working capital loans - ERET for Working Capital Loans

TSKB supports the sustainable development of the country with its development and investment bank mission respecting the environment and society. TSKB has demonstrated that it stands by the private sector with the working capital loans which it provided in 2020.

TSKB has expanded the scope of its environmental and social risk management approach in a manner to include working capital loans. TSKB created the ERET for Working Capital Loans (Environmental and Social Risk Evaluation Tool for Working Capital Loans), which is a tool to measure working capital loan risk, also playing a leading role in this area.

In 2020, tool development process was completed and the application was put into practice. TSKB is committed to monitoring the environmental and social impacts and performance of clients who receive working capital loans.

In 2020, investment loans covered by environmental and social risk evaluation accounted for 67% of TSKB's loan portfolio. This share will continue to grow in the coming period after the evaluation of working capital loans within the scope of the ERET Model.

Environmental impacts arising from operational activities also addressed within scope of the Sustainability Management System (SMS)

TSKB meticulously manages the environmental impacts of its operational activities.

In the work carried out within the scope of the SMS, the consumption of electricity, water, natural gas, etc. is periodically monitored and efforts towards reduction targets are implemented. Variations in natural gas and electricity consumption caused by climate change are evaluated with susceptibility.

TSKB also aims to increase the rate of waste brought to the economy by sending it to recycling facilities with its waste management plan. The SMS sets out the aim of reducing the amount of waste per person through the work carried out to raise awareness. SMS training is provided to all new TSKB employees to ensure that the concept of sustainability is internalized.

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

THE APPLICATION OF ZERO CARBON BANKING

Zero carbon banking implemented at TSKB since 2008

Climate change and the loss of biodiversity are among the leading global threats to the future of humanity. The rapid transition to a low carbon economy is vital in ensuring a sustainable world.

TSKB, which internalizes global emerging trends with a proactive approach in line with its pioneering identity, started measuring its carbon footprint in 2006. The Bank's measurement of its carbon footprint was audited by an independent consultant in 2008, and the zero carbon banking project was initiated in line with the report prepared. TSKB calculates the greenhouse gas emissions arising from its operational activities and offsets its emissions through the voluntary carbon markets. TSKB, which launched zero carbon banking, has been carrying out its activities in accordance with the ISO 14064 Greenhouse Gas Calculation and Verification Standard since 2012.

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

Strategic reduction targets were established in an effort to reduce business travel, electricity for lighting and natural gas consumption for heating, all of which cause greenhouse gas emissions, by taking 2009 and 2010 as a reference.

As of 2009, the Bank had started to provide electricity needs from renewable energy resources within this strategy.

TSKB's conception of carbon-neutral banking

- Measuring greenhouse gas emissions and having the calculations verified by independent organizations,
- Establishing strategies and projects to reduce greenhouse gas emissions,
- Offsetting emissions through voluntary markets and contributing to the development of in-house and external capacity development in this regard.

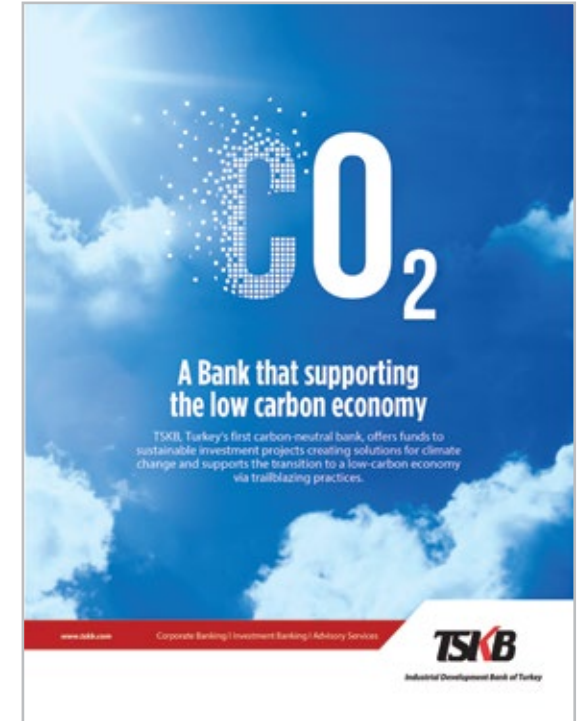
This project, which was realized during periods when the limit for free consumers was similar to the levels of consumption of industrial manufacturers, served to emphasize TSKB's vision and priorities.

Extending the carbon neutral approach to social projects

TSKB extended its carbon neutral approach, which it applies within the organization, to the social projects. The Bank aims to spread awareness of climate change and the importance of reducing the carbon footprint in society. TSKB has purchased more than 4,500 tonnes of Gold Standard Carbon Certificates since 2015 in order to offset its emissions arising from its banking activities. Renewable energy technologies such as wind power and landfill gas are used to offset the Bank's carbon footprint.

The IKSİ Istanbul Music Festival, "The Women Stars of Tomorrow" concert, which TSKB sponsored in 2020, took place online due to the Covid-19 pandemic. The carbon footprint of the "Women in Business Life from a Social Perspective" conference held at the French Palace in Istanbul, hosted jointly with the AFD within the scope of Women's Day on 8 March, was offset through the purchase of carbon credits.

As of 2009, the Bank has started to provide electricity needs from renewable energy resources.



NATURAL CAPITAL

TSKB AND CLIMATE CHANGE

RISKS, OPPORTUNITIES AND MANAGEMENT APPROACH

Climate change is associated with the increase in the concentration of greenhouse gases in the atmosphere resulting from human activity since the onset of the industrial revolution. Climate change is considered to be one of the most significant global problems to threaten the future of humanity through environmental, social and economic dimensions. Scientific studies indicate that climate change will have far reaching consequences for every region and water basin in Turkey. In line with what is expected to happen in the world as a whole, studies also predict that in Turkey, average temperatures will increase, water resources will diminish significantly, agricultural yields will drop with 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, with biodiversity negatively affected by all these developments.

Extreme climate events and long term climate change presents physical risks with the potential to disrupt or adversely affect economic activity, while the orientation towards a low carbon economy presents transition risks. Changes in climate policies, technology, consumer preferences and financial market sentiment within the framework of transition risks create large fluctuations in asset values in various sectors and drive costs upwards. In these circumstances, financial institutions may be exposed to risks of a magnitude proportional to their positions in enterprises which do not set their business models in accordance with the green economy.

In the fight against and adaptation to climate change, rapid and extensive transformations are needed in agriculture, energy, industry, transportation, waste management and cities.

While this requires financial institutions to cooperate at a global level, every step to be taken against physical and transitional risks presents an important opportunity for financial institutions which are active in the area of sustainability financing such as TSKB. In this context, the physical and transitional risks arising from climate change will pose a serious threat in the short, medium and long term. However, provided they are well planned for and managed, they will bring valuable business opportunities for both financial institutions and companies operating in different sectors.

TSKB issued its Climate Change Declaration in 2016. In 2020, the Climate Risks Working Group, which was established within the scope of the Bank's sustainability structure, developed capacity and carried out various activities for the determination, measurement and reporting of portfolio risks within the framework of both physical and transition risks. TSKB will continue its work in line with the TCFD's recommendations in the coming period.

TSKB's applications regarding climate risks rewarded with a B rating by the Carbon Disclosure Project (CDP)

TSKB implemented many firsts and pioneering applications in the Turkish finance sector in the transition to a low carbon economy. The Bank was one of the first stakeholders in Turkey to part in the Carbon Disclosure Project (CDP), which is one of the world's most important initiatives in the field of climate change.

Companies are evaluated by the CDP on the basis of an impartial and comprehensive methodology on topics such as the management of environmental risks and the determination of environmental objectives. Companies receive a rating of between A and D- according to their statements or examples of good practice at the leadership level.

TSKB voluntarily discloses its greenhouse gas emissions and strategies to combat climate change within the scope of the CDP. TSKB, which has received the leadership award on climate in recent years, maintained its success in 2020, when the global Industry average was C. With its B rating, TSKB confirmed that the Bank was on its way towards realizing its ambitious targets in the field of sustainable development.

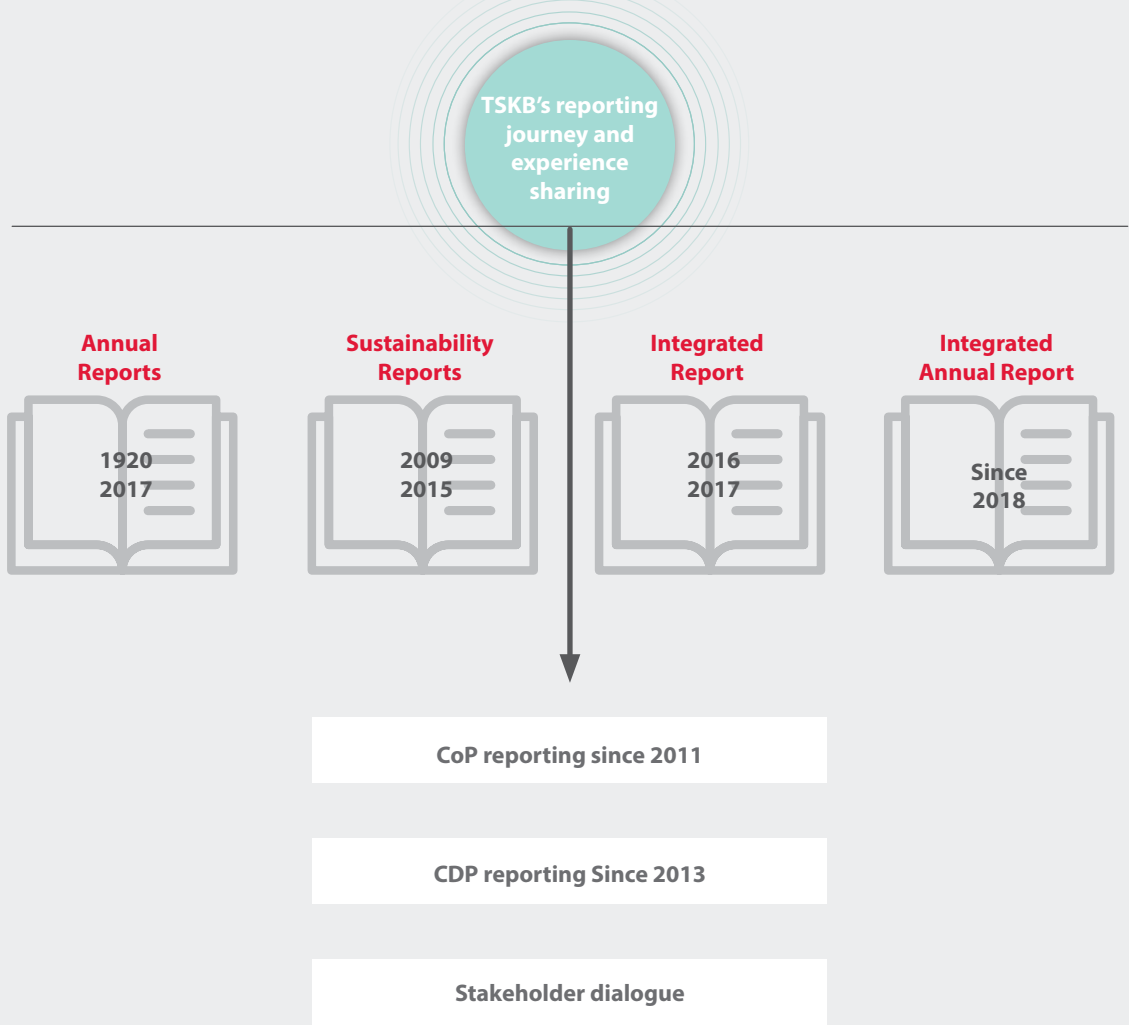
Climate change and TSKB's Sustainable Banking Strategy

TSKB addresses its actions to combat and adapt to climate change within the scope of its sustainability strategy. Believing that the formula for qualified development is directly related to sustainable banking, the Bank's sustainable banking strategy is based on three key pillars.

- Supporting Turkey's sustainable development model
- Playing an active role in tackling climate change
- Contributing to Turkey's industrial transition to a low carbon economy

This strategy adopted by TSKB includes the assessment of related risks and opportunities as well as the management of climate-related issues. The Bank executes its sustainability vision and strategy within the scope of a properly constructed and effective sustainability cycle, and implements this vision in its daily service processes.

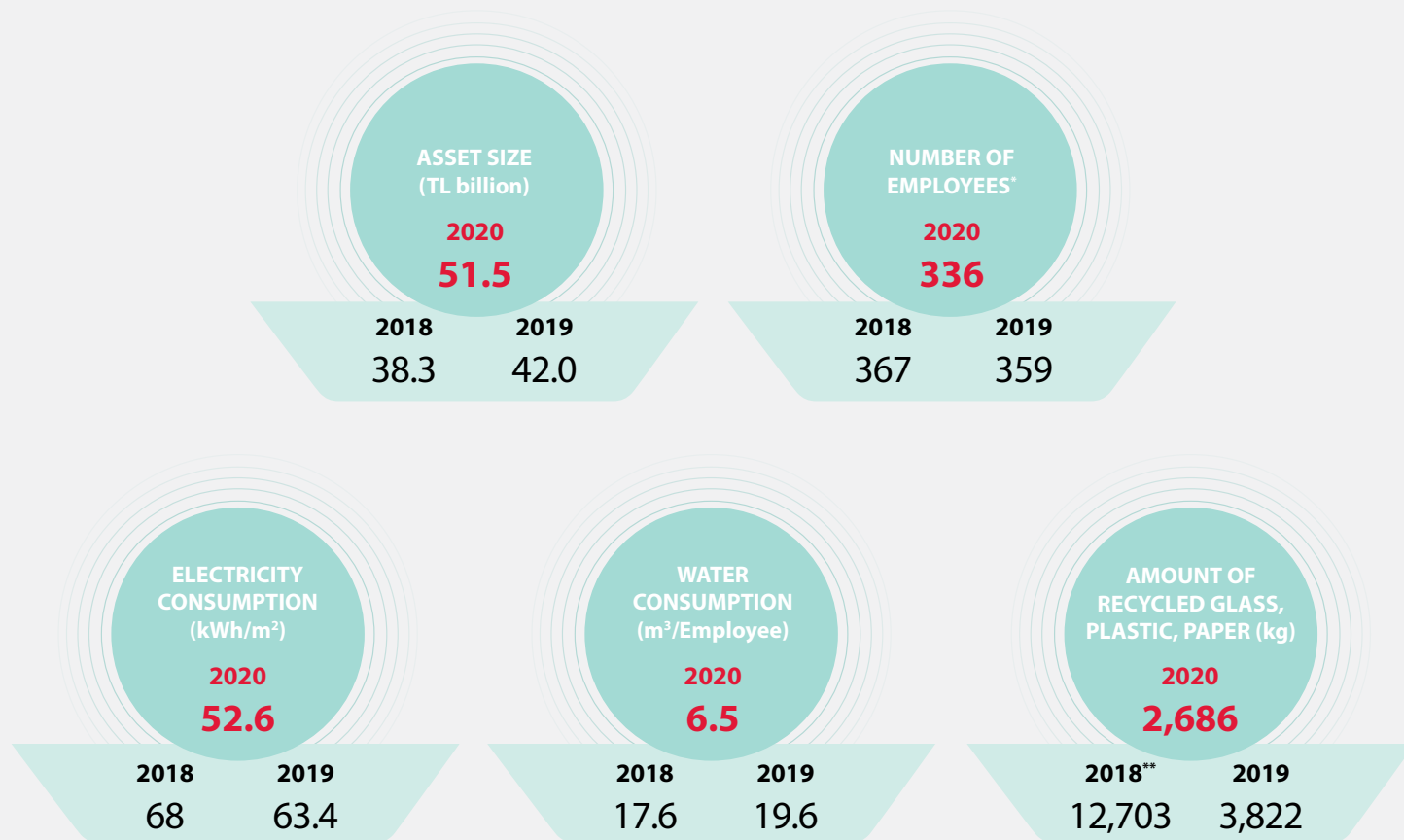
TSKB's REPORTING JOURNEY IN PARALLEL WITH ITS SUSTAINABLE BANKING MISSION



NATURAL CAPITAL

INTERNAL IMPACTS - KEY INDICATORS

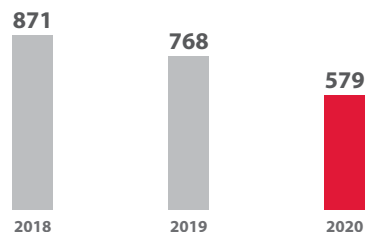
TSKB meticulously manages the environmental impacts arising from its operational activities. Within the scope of the SMS at the Bank, the consumption of electricity, water, natural gas and other resources is monitored periodically, and work is carried out towards the reduction targets. The CO2 emissions arising from internal activities are calculated in accordance with the ISO 14064 Greenhouse Gas Calculation and Verification Standard and actions are taken to reduce emissions. TSKB aims to increase the ratio of waste brought to the economy every year by sending waste collected separately at source to recycling facilities, in accordance with the waste management plan implemented in line with the integrated waste management hierarchy.



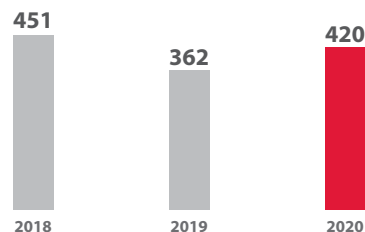
* This figure represents the number of employees considered in the ISO calculations and is based on the annual average.

** The amount of waste recycling was high in 2018 due to the building renovation, construction and relocation activities.

tCO₂e EMISSIONS



tCO₂e EMISSIONS (Scope 1)*



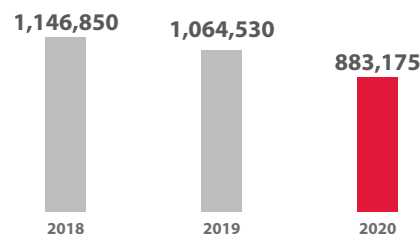
tCO₂e EMISSIONS (Scope 2)**

2018, 2019, 2020 = 0

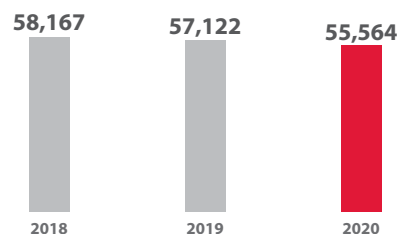
Since TSKB uses renewable energy in all of its service buildings, its carbon emission is zero.

The increase in the 2020 Scope1 emission is in consequence of the refrigerant gas added during the year due to gas leaks in the cooling system over the years.

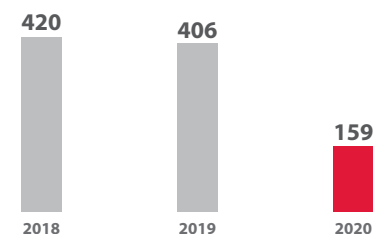
ELECTRICITY CONSUMPTION (kWh)



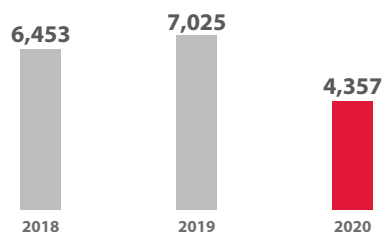
NATURAL GAS CONSUMPTION (m³)



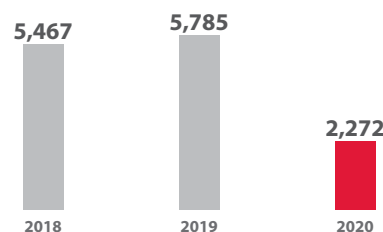
tCO₂e EMISSIONS (Scope 3)***



WATER CONSUMPTION (m³)



PAPER CONSUMPTION (kg)



Heating and cooling activities in bank buildings directly affect electricity and natural gas consumption.

The decrease in consumption of 2020 is due to the implementation of the remote working model following the Covid-19 Pandemic.

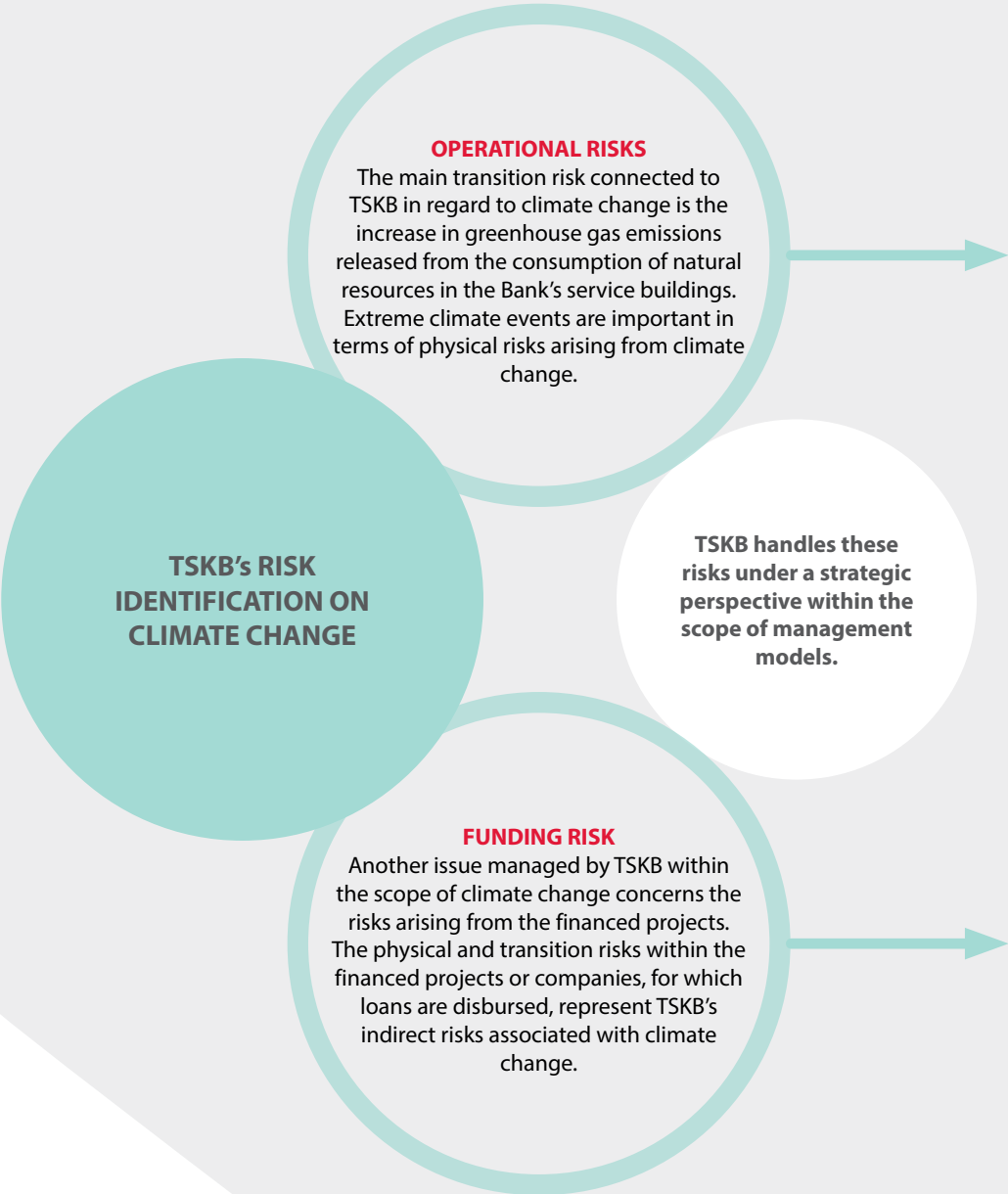
The relatively fewer reduction in natural gas consumption is due to the switch to a safe heating method in terms of health and hygiene following the Covid-19 Pandemic.

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

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

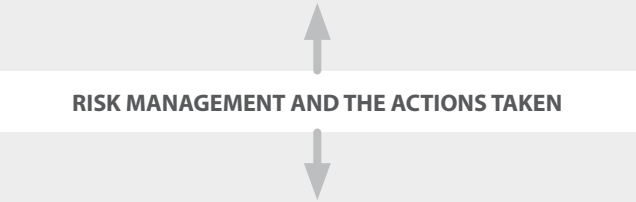
*****Scope-3** Other Emissions: Greenhouse gas emissions which are externally purchased by an institution besides energy and are not directly controlled thereby. Such emissions emanate from outsourced activities and are emitted at source. Examples for Scope-3 emissions include, among others, emissions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

NATURAL CAPITAL
TSKB AND CLIMATE CHANGE



Within the framework of the SMS, the ISO 14001 & 14064 Working Group regularly follows up the carbon footprint related to consumption. The Group implements action plans aimed at mitigating the impacts. It sets targets for improving performance. Performance results are periodically monitored and reported.

TSKB prepared the necessary action plans to protect all service buildings against extreme climate events such as excessive rainfall, flooding and drought, and updates are carried out at regular intervals.



In 2020, the Climate Risks Working Group developed capacity and carried out various activities in order to identify, measure and report portfolio risks within the framework of both physical and transition risks. Other activities carried out periodically at TSKB included portfolio analysis and the renewal of the projections regarding investments in the renewable energy industry by examining the regional climatic conditions. The Bank will continue its work in line with the TCFD's recommendations in the coming period and address climate risks end-to-end in loan assessment and monitoring processes. The Bank will shape its relevant policies in this direction.

Moreover, TSKB is involved in financing a wide array of investments aimed at tackling climate change with the sustainability themed funds which it offers. TSKB will continue to play an important role in the fight against climate change in the future with its sustainability themed funds.



Incentive mechanism provided for renewable energy investments in Turkey

Risk management and the actions taken

With the Electricity Market Law published in the Official Gazette on 2 December 2020 and which has since entered force, and the Law on The Amendment of Certain Laws, the decision was taken to apply the purchase guarantee and domestic equipment incentives for electricity generation plants operating with renewable resources, which had been applied in USD terms, to be in Turkish lira terms instead for the plants which will enter operation after 30 June 2021.

With the Presidential Decree published in the Official Gazette dated 30 January 2021, significant changes were carried out to the Law on the Use of Renewable Energy Resources for Electricity Generation Purposes. With the decision, the Renewable Energy Resources Support Mechanism (YEKDEM-RERSM) purchase and domestic contribution prices and implementation periods were determined. These will be applied for electricity generation plants and which are based on the RER Certified renewable energy resources, and which will enter operation between 1 July 2021 and 31 December 2025.

TSKB maintains close communication which it has established with international finance institutions, industrial associations and investors, and works to manage the effects of new regulations.

EU's carbon regulation mechanism at the border

Risk management and the actions taken

The EU is reshaping its international trade relations within the framework of the Green Deal. Accordingly, the EU is establishing a new tax system, the carbon regulation mechanism, at the border in order to prevent carbon leakage which may occur due to imports to the EU from regions and countries where carbon pricing is not applied. The European Green Deal (EGD) and legislative changes announced by the EU in December 2019 are expected to have significant ramifications for Turkey, which has strong trade relations with the EU. Energy and resource intensive industries, in particular, are expected to be affected by the process.

TSKB closely follows up legislative changes in the EU and carries out work within the scope of measuring the risks of the companies and projects which it finances.

Projects and companies with a credit risk which be adversely affected due to long term climate change and extreme weather events

Risk management and the actions taken

Long-term climate change (chronic risks) and extreme weather events (acute risks) can cause negative impacts on the projects and companies with a loan risk. Increased investment and operating costs, decreased revenues due to production losses and damage of assets due to extreme climate events are potential risks which the companies in TSKB's portfolio may be exposed to.

Drought is directly related to climate change and indicates that the world and our country will face serious problems in the near future. Changes in precipitation patterns are especially important in the operation of hydroelectric power plants. TSKB manages this process by conducting field visits, closely monitoring changes in basin climatic conditions and carrying out production projection updates.

CLIMATE CHANGE POLICIES FOLLOWED BY TURKEY

Prior to the COP21, Turkey shared its Intended Nationally Determined Contribution (INDC) target on 30 September 2015 as part of its emissions reduction strategy. According to this contribution, greenhouse gas emissions in Turkey are projected to rise from 440 million tonnes in 2012 to 1,175 million tonnes under the current conditions by 2030. However, if systematic measures are taken, this amount will be reduced by 21% to 929 million tonnes of greenhouse gases.

TSKB closely follows both global developments and Turkey's policies, and shapes its climate change strategy accordingly.

TSKB'S PROJECTION

Investment processes based on climate risks will gain pace and new business opportunities will emerge in the fields of carbon trade and climate finance.

NATURAL CAPITAL

TSKB AND CLIMATE CHANGE

Turkey's position on the global platforms combating climate change and TSKB's actions

Although Turkey has signed the Paris Climate Agreement, which will form the framework of the post-2020 climate change regime, as a developing country, Turkey has not officially ratified the agreement.

However, Turkey has developed important capacity in the field of combating climate change with the greenhouse gas monitoring, reporting and verification legislation consisting of various regulations and communiqués issued in recent years.

In 2020, the draft Climate Law and the draft Emissions Trading System Regulation were prepared.

With the completion of the legislative and infrastructure processes in Turkey, the issues of carbon trade and carbon tax will become clarified and ensure that investments undertaken in our country have access to climate finance.

TSKB meticulously follows the issue of combating climate change, which will also provide Turkey with the opportunity to seek external resources with the theme of combating climate change, and supports all work carried out by Turkey.

The issue of combating climate change is an important agenda item for the TSKB Sustainability Committee. The Bank acts in line with the mission of providing funds to Turkey. It closely follows the Conference of the Parties (COP), which takes place with the participation of representatives from a number of countries, public and private sector players and a wide range of non-governmental organizations.

In 2015, TSKB actively participated in the COP21, where the Paris Agreement was established, witnessing the contributions of different parties to the process and the development and declaration process of the Paris Agreement.

The Bank has regularly participated in all COP conferences held since then. This allows TSKB to keep its finger on the pulse of the world agenda, with the experience gained on the issues of climate change and finance in our country and in TSKB being shared on platforms, where employees of the bank are involved as panelists and speakers.

In these meetings, the Bank also has the opportunity to review and update its own practices by observing different interpretations and approaches.

TSKB published its Climate Change Declaration in 2016. The declaration sets out how the consistency of TSKB's main activities with the climate change strategy will be upheld and managed.

In 2019, TSKB actively participated in the COP25, which was the final summit before the Paris Agreement started to be implemented.

The Bank attended the panel, "The 10 year Countdown to 2030: Banks acting as influencers to enhance common market practice", as a panelist, at the Republic of Turkey Pavilion, at the TUSIAD event. In the panel, the Bank provided information regarding TSKB's sustainable financing practices, declarations and memberships with high international recognition, in particular the UNEP-FI Principles of Responsible Banking, its interaction with the SDGs, Turkey's current situation in the perspective of climate change prevention and adaptation, and the Bank's positively distinguished position.

It was not possible to hold an international conference in 2020 due to the Covid-19 pandemic. The 26th Conference of the Parties (COP26), where governments will present their strengthened climate plans and which will be held in Glasgow, has been postponed until November 2021. TSKB will closely monitor developments which may occur ahead of the COP26 and the outcomes of the conference.

Even with the postponement of the COP26, 2020 was an important year in combating climate change. The EU took an important step towards the Green Deal, which is being shaped within the framework of efforts to combat climate change and in the context of the Paris Agreement, and set out the transformation goals with the European Green Deal plan that it announced in December 2019. The EU is also reshaping its international trade relations within the framework of the Green Deal.

EU member states are expected to be "climate-neutral" by 2050 under plans for member states to reduce their greenhouse gas emissions within a specific schedule. The EU plans to achieve this goal by decarbonizing the energy sector, transitioning to a clean and circular economy, using new technologies in industry, creating clean transportation systems, a healthy and environmentally friendly food system, promoting the efficient use of energy and other resources and protecting ecosystems and biodiversity.

TSKB meticulously follows the issue of combating climate change, which will also provide Turkey with the opportunity to seek external resources. TSKB supports all work carried out by Turkey at a national level.

Accordingly, the EU is establishing a new tax system referred to as the mechanism of carbon regulation at the border in order to prevent any carbon leakage resulting from imports into the EU from the regions and countries where carbon pricing is not applied.

The European Green Deal is expected to have significant ramifications for Turkey, which has strong trade relations with the EU. In this context, TSKB announced the establishment of the Green Swan Platform on 6 October 2020 in order to act jointly against the climate crisis, which is the biggest obstacle to sustainable and inclusive development, and raise awareness of climate change. TSKB announced its aims to bring together representatives of the public and private sectors along with NGOs, international organizations, academics, students and members of the media under the umbrella of the platform.

The Bank aims to raise awareness of the climate crisis among a wider range of stakeholders and sectors by providing regular information sharing with reports and bulletins to members of the Green Swan Platform.

TSKB AND SUSTAINABILITY INDICES

The Borsa Istanbul Sustainability Index

TSKB is included in the BIST Sustainability Index, which consists of companies with a high corporate sustainability performance and whose shares are traded on the Borsa Istanbul.

The Borsa Istanbul determines the list of companies to be included in the index according to the results of the evaluation carried out under the following main headings; environmental policy, environmental management systems, biodiversity policy, climate change management, organization of the board of directors, anti-bribery policy, anti-bribery systems, human rights policy, human rights systems and health and security systems.

The BIST Sustainability Index came into being with the evaluation of companies included in the BIST 30 index in 2014. With the expansion of the evaluation to include the BIST 50 in 2015, TSKB was included within the scope of the index, and qualified for inclusion in the index as a result of the evaluation carried out.

TSKB, which has been trading in the index since November 2015, updates and improves its policies within the framework of the index rules, international regulations and good practices.

The sustainability indices play a decisive role for investors seeking to invest in companies which adopt the principles of sustainability and corporate social responsibility.



TSKB's inclusion in the sustainability indices demonstrates the Bank's approach to sustainability issues as well as offering a clear signal of its activities and decisions in this field.

In recognition of TSKB's sustainability policies and practices, Sustainalytics issued the Bank with a rating of 16.7 for the Bank's Environmental, Social and Governance (ESG) Risk Score. This Risk Rating, published in May 2020, placed the Bank in the "low risk" category. As of the date of publication, TSKB's rating, which was highest in Turkey, was in the second percentile in the international banks group.

In line with TSKB's sustainability policies and applications, Sustainalytics assigned the Bank with its Environmental, Social and Governance (ESG) Risk rating. As of May 2020, TSKB ranked top in Turkey and in the second percentile in the international banking group.







NATURAL CAPITAL

NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

TSKB fulfilled its sustainable financing targets in line with its expectations despite the pandemic. The Bank continued to support Turkey's transition to a low carbon economy with its new disbursements within the scope of renewable energy and efficiency projects.

2020 TARGETS	2020 REALIZATIONS
By considering the renewable energy, energy efficiency and resource efficiency investments in our country until the end of 2020, the Bank aims to keep the share of its sustainable and inclusive finance portfolio in the total loan portfolio, excluding the finance sector, at least 70%.	At the end of 2020, the sustainable and inclusive finance portfolio had a share of 74% in TSKB's total loan portfolio. ✓
Within the scope of innovative renewable energy financing, TSKB aims to sign a new loan contract for renewable energy projects with a total installed.	As of the end of 2020, agreements for renewable energy projects with a total of 904 MW were signed.
TSKB plans to sign 10 new loan agreements on energy and/or resource efficiency projects by the end of 2020.	Out of the target of a total of 10 energy efficiency and/or resource efficiency projects, 8 were realised. The deviation in the realization was a result of the pandemic.
The Bank is committed to assessing the environmental and social risks of all investment loans irrespective of the project amount, ensuring the necessary measures are taken proactively based on the determined risk and monitoring the implementation of these measures.	TSKB implemented the ERET tool, which is used in the management of environmental and social risks arising from lending activities, in all investment loans in 2020.
For the period of 2017-2021, greenhouse gas emissions are projected to decrease by 10% compared to the average of the past 5 years (2012-2016).	The Bank's greenhouse gas emissions for 2020 decreased by 25% compared to the greenhouse gas emissions in 2019. Final reporting of this target will be published in the 2021 annual report.
The Bank aims to manage all environmental and social impacts and greenhouse gas emissions within the framework of ISO 14001 and ISO 14064 Standards in 2019 and 2020.	The ISO 14001 and ISO 14064 audits were completed in February 2021 with no incidents of non-conformity.
The Bank is committed to periodically calculating its carbon footprint and maintaining its banking operations with zero carbon principles by offsetting its carbon footprint.	In 2020, greenhouse gas emissions arising from TSKB's operational activities were calculated according to the ISO 14064 standard and verified by the BSI. The resulting 767 tonnes of emissions were offset by carbon credits.
Zero-Carbon organization studies will continue in 2019-2020 and with efforts to offset the carbon footprint by calculating the carbon footprints of Career Workshops, Sustainability Workshops and conferences hosted by the Bank and by purchasing Gold Carbon Credits.	In 2019 and 2020, carbon emissions arising from the events organized by TSKB were calculated and the resulting emissions were offset by purchasing Gold Carbon Credits.
All paper consumed in buildings will be sent to recycling facilities and the application of a 100% recycling target on paper waste will continue in the years to come.	In 2020, waste paper consumed in buildings was collected separately and sent to recycling facilities.
In-bank training programs will continue to be held in order to raise awareness about waste reduction/waste recovery.	Awareness training on waste reduction, waste recovery and recycling was organized to cover all TSKB employees.

2020 KEY PERFORMANCE INDICATORS

Sustainable Finance /External Environmental Impacts of the Bank		Renewable Energy Portfolio	
		Number of projects	330 ✓
		Total installed capacity funded (MW)	6,594 ✓
		TSKB's share in Turkey's renewable energy capacity	13% ✓
		Energy use and carbon neutral status	100% green
		Financing commitment (USD billion)	4.06
		Contribution to reduction of CO ₂ emissions (tonnes CO ₂ /year)	12.2 million ✓
		Share of electricity generation in loan portfolio	38%
		Renewable Energy Projects Financed in 2020	
		Number of Projects	37
		Installed power (MW)	531
		Volume of electricity generation (MWh)	1.7 million
		Contribution to reduction of CO ₂ emissions (tonnes CO ₂ /year)	1.2 million
		Resource and Energy Efficiency	
		Raw material savings (tonnes/ year)	14.7 million
		Water savings (m ³ / year)	1.2 million
		Waste savings (tonnes/ year)	55,530
		Energy savings (gigacal/ year)	6.1 billion
		CO ₂ savings (tonnes CO ₂ e/ year)	3 million
Internal Environmental Impacts of the Bank		Annual carbon footprint removal (tonnes/ year)	579
		Paper consumption in the Headquarters (kg)	2,272 ✓
		Recycled glass, plastic and paper waste (kg)	2,686 ✓
		Electricity consumption in the Headquarters (kWh)	883,175 ✓
		Natural Gas consumption in the Headquarters (m ³)	55,564 ✓
		Water consumption in the Headquarters (m ³)	4,357 ✓
		Water density (m ³ /employee)	6.5 ✓
		Electricity density (kWh/m ²)	52.6 ✓

NATURAL CAPITAL

NATURAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

FUTURE TARGETS



N1

To keep the ratio of SDG-linked loans in the total portfolio at the level of **90%** and above between 2021 and 2025.



N2

To provide USD **8 billion** and more SDG-linked financing by 2030.



N3

To apply the **Environmental and Social Risk Evaluation (ERET) Model** to working capital loans together with investment loans from 2021.



N7

Within the framework of the Bank's 5-year roadmap (2021-2025), to conclude **the evaluation of the loan portfolio in terms of climate risks**, which started in 2020. The climate risks will be integrated into the loan evaluation and monitoring processes.



N8

Within the framework of the Bank's 5-year roadmap (2021-2025), to develop a climate risk management approach which is fully compliant with the **UNEP FI and TCFD** recommendations.



N9

To reduce average greenhouse gas emissions for the 2017-2021 period by **10%** compared to the average of the previous 5 years (2012-2016).

In the Bank's loan portfolio, its contributions to SDG 1, the SDG 7, the SDG 8, the SDG 9, the SDG 12, the SDG 13 and the SDG 17 stand out in particular. Through the three business lines, TSKB will continue to increase its support to the SDGs. In this context, it has set new long-term SDG -linked targets.

FUTURE TARGETS



N4

To manage all of Bank's internal impacts, greenhouse gas emissions and external environmental and social impacts arising from financed projects within the framework of the

ISO 14001 and ISO 14064
Standards.



N5

To calculate Bank's carbon footprint periodically and to continue its banking activities under zero carbon principles by neutralising its **carbon footprint**.



N6

To maintain compliance with environmental and social standards for the **protection of biodiversity**, as a signatory of the Biodiversity Declaration within the scope of the IDFC - FICS.



N10

Not to finance coal thermal power plant investments which will be newly installed in the coming period.



N11

To provide direct and indirect support to companies in their transition towards the **EU Green Deal** in the coming period.



N12

To determine the total water commitment of the employees by filling in the **questionnaire on water saving** and to raise awareness on this issue.

CAPITAL ELEMENTS



INTELLECTUAL CAPITAL



TSKB ECONOMIC RESEARCH

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

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

TSKB's Economic Research publications provide support to the Bank's funding, lending, advisory, treasury, marketing and promotional activities, and also serve as a key tool in terms of information sharing with all non-bank stakeholders.

	Number of Issues
TSKB Daily Bulletin Summaries of the news flow on macroeconomic developments and non-economic factors and business lines from a macro perspective. ✓	252
Macro View Analysis and evaluation reports on macroeconomic data within the calendar ✓	98
TSKB Blog Short articles with analysis and commentary on the development agenda and macroeconomic developments ✓	58
Monthly Energy Bulletin (Turkish and English) Developments in the energy sector on a monthly basis ✓	24
IPO Valuation Reports Review Studies evaluating price determination reports published in public offerings ✓	8
TSKB Theme Look (Turkish and English) Comprehensive reports prepared within the scope of funding diversification and improvement of themed loans with the macroeconomic and development oriented analysis work. ✓	6
New Month Featured data in the next month's economic calendar, analysis of important events in the Turkish and global economy, studies from the development economics agenda ✓	6
Climate Review (Turkish and English, quarterly) A report providing an up-to-date summary of the climate change agenda ✓	2
TSKB Weekly Bulletin A report setting out the economic and non-economic developments taking place in the previous week and a brief analysis of the new week ✓	15
Total	469

The TSKB Economic Research department produced 469 publications in 2020.

Periodical products published by TSKB Economic Research include the following;

- TSKB Daily Bulletin, which includes summaries of macroeconomic and non-economic developments on the agenda and news flow related to business lines from a macro perspective,

- TSKB Weekly Bulletin, which includes macroeconomic and non-economic developments which took place in the previous week with a brief review of the following 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.



TSKB Theme Look publication includes work on macroeconomics and development. This work adds value to the funding diversification and the development of themed loans. On the other hand, it creates value by addressing the Turkish economy from a macro and developmental perspective. Within this framework, a report entitled Building long-term prosperity through investing in women's skills was published to emphasise the importance which TSKB attaches to gender equality and women's employment.

In addition, the effects of the pandemic on the Turkish economy were monitored and evaluated in the Increasing Turkey's resilience under the Covid-19 Pandemic study carried out in 2020. However, the issue of moving towards a better, greener and fairer structure after the pandemic was discussed in the report entitled In search of transformational recovery.

The Energy Bulletin, which is published in Turkish and English on a monthly basis, contains analysis and developments related to the energy sector. The Turkish and English versions of the "Energy Outlook" report, prepared regularly every year and which analyses the current situation of the Turkish energy market and addresses the trends which will guide the sector in the coming period, were published in November and December.

Climate Review

Climate Review includes a review of global and national developments on the climate crisis, steps taken by governments in the fight against the climate crisis, climate finance and analysis enriched with special data on the subject. The first issue of Climate Review was published under the Green Swan Platform in 2020. It will continue to be published every quarter in 2021.



Continuous Value Creation

469 publications **58** blog posts
TSKB Economic Research authored 469 publications and 58 blog posts in 2020.

Strong Synergies

A range of services diversified by subsidiaries and increased intellectual capital outcomes thanks to strong synergies



Future Projections

- » The Bank and its subsidiaries will continue to nurture the intellectual capital accumulated through successful projects.
- » The Intellectual Capital Targets are set out on page 105. □

INTELLECTUAL CAPITAL

TSKB BLOG

Based on TSKB's 70 years of know-how and experience, the TSKB Blog shares economic and sectoral developments through the eyes of the Bank's specialists and shares new articles and current topics to its followers.

The TSKB Blog presents up-to-date coverage of the development agenda.

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

In addition to the economic and financial agenda, the TSKB Blog also includes articles written within the framework of international trends such as climate change, water efficiency, food safety, digital transformation, industry 4.0 and low carbon economy. With a finger on the pulse of the development agenda, the TSKB Blog also sheds light on the rapid transformation occurring in different industries.

Based on TSKB's 70 years of know-how and experience, the TSKB Blog shares economic and sectoral developments through the eyes of the Bank's specialists and shares new articles and current topics to its followers. The content of the TSKB Blog is also offered through the TSKB social media accounts. The TSKB Blog articles are written by a large pool of experts in a range of fields such as development, sustainability, engineering, technology, energy and tourism.

TSKB's LIBRARY



Launched in 1971, the TSKB Library is a specialized library with approximately 14,500 volumes and more than 100 periodicals and electronic database subscriptions. It provides national and international literature as well as sector-based reports and results of studies to researchers, especially university students and academics.

In addition to gender studies and the private collection for the history of Istanbul, the TSKB Library also includes collections of literature, politics and personal and professional development. Efforts to develop the collection are carried out systematically in line with the focus areas of TSKB.





TSKB Collection

Expertises Collection (Economics, Finance, Industry Publications, Law, Sustainability, etc.)	7,670
Women's Research Collection	339
Istanbul Collection	607
Literature, Politics, History, Personal Development	3,325
Children's Collection	111

Efforts to develop the collection in the library throughout the pandemic, while databases and digital periodical publication memberships continued. Through the Mobile Library project, books requested were sent on loan to the addresses of teams working remotely, in accordance with their needs. This helped TSKB employees meet their needs for information without interruption during the Pandemic.

The "Bkz." publication, which started to be prepared as an internal journal at the library within the scope of the activities on the 70th anniversary of TSKB, continues to be published on a quarterly basis throughout the year.

In 2019, the TSKB Library, which was underwent an architectural renovation to bring it closer to TSKB's tradition and history and to create a space of sharing and creativity for its employees, aims to provide a better service for all interest groups.

INTELLECTUAL CAPITAL

MEMBERSHIPS AND WORKING GROUPS

TSKB is a member of domestic and international associations and initiatives which carry out studies in fields related to its strategy, activities and goals. In this process, the Bank undertakes tasks actively, shares its experiences and cooperates with numerous organizations by establishing close relationships.

Contribution to Turkey and the TSKB brand

TSKB's participation in national and international initiatives contributes to Turkey as well as the brand value of the Bank. The work carried out within the scope of memberships reflect positively on the image and promotion of TSKB and support the development of internal capacity and efforts to raise awareness. These memberships offer the opportunity to communicate and establish a relationship with stakeholders from different regions and cultures, contribute to the promotion of Turkey on different platforms, especially in cases where participation from Turkey is being realised for the first time, while increasing Turkey's recognition in these areas.

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

COOPERATION WITH PUBLIC INSTITUTIONS

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

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

Within this framework, TSKB contributed to the preparation of the "Turkey's Strategic Energy Efficiency Plan" published by the Ministry of Energy and Natural Resources, Energy Efficiency and Environment Department in June 2020.

TSKB's involvement in national and international initiatives contributes the Bank's brand value as well as the Turkish nation.

TSKB assumes the leadership of working groups and similar roles in some of the organizations it is a member of.

INITIATIVES TSKB TOOK ROLE IN AND WORKING GROUPS LED BY TSKB

International Development Finance Club (IDFC)

- Gender Equality Working Group Chairmanship

BSCD Turkey (SKD Turkey)

- Board Member
- Chairman of the Women's Employment and Equal Opportunity Working Group
- Sustainable Finance and Risk Management Working Group
- Energy Working Group
- Circular Economy Working Group
- New Technology in Sustainability Working Group
- Sustainable Agriculture and Access to Food Working Group
- Sustainability Reporting Working Group

Corporate Governance Association of Turkey (TKYD)

- Board Member
- Capital Market Working Group
- BIST Corporate Governance Index Board Working Group
- Board of Directors Working Group
- Non-Governmental Organizations Working Group

Integrated Reporting Network Turkey (ERTA)

- Executive Board Member
- Education Committee
- Implementation Committee

United Nations Global Compact

- Sustainable Finance Working Group
- Gender Equality Working Group
- Environmental Working Group
- Diversity and Inclusion Working Group

Turkish Industrialists and Business People Association (TÜSİAD)

- Banking Working Group
- Economic Analysis Working Group
- Capital Markets Working Group
- The Tax Working Group,
- Next Generation Industry, Food, Beverage and Agriculture Working Group
- The SMEs, Health Working Group
- Gender Equality Working Group
- Education, Employment and Social Security, Tourism Working Group
- Environment and Climate Change Working Group
- Energy Working Group,
- The USA, Germany, UK, France, China and Foreign Trade working groups
- TÜSİAD's work on the Horizon 2020 Program
- European Green Deal call

Foreign Economic Relations Board (DEİK)

- Energy
- China Business Council

Intellectual capital outcomes generated through subsidiaries

TSKB REAL ESTATE APPRAISAL

TSKB Real Estate Appraisal is focused on developing its know-how and competencies, cooperating with international leading organizations and following innovations in its field.

TSKB Real Estate Appraisal has carried out valuation work in 23 different countries since its establishment. Providing clients with a global perspective on valuation standards is considered a primary objective for TSKB Gayrimenkul Değerleme.

TSKB Real Estate Appraisal, which offers deeply rooted know-how and expertise in the valuation sector, has a widespread service network with nine branches, including its Malatya branch opened at the end of 2020.

TSKB Real Estate Appraisal, which continues its development in the social sphere with policies which promote gender equality, was awarded with two different Equal Opportunities Certificates this year.

285,000 valuation activities in 10 years

With valuation specialists under the leadership of responsible surveyors authorized by the CMB, TSKB Real Estate Appraisal provides value assessment services in a wide range of areas ranging from land, business centers and factories to shopping malls, hotels, logistics facilities, fuel stations and power plants. Around 285,000 valuation reports have been prepared by TSKB Real Estate Appraisal over the last 10 years.

In addition to valuation reports for guarantee and special purposes, a total of 50 best and most efficient usage analyses and project valuations were provided with qualified work carried out in 2020, such as the "COVID Impact Report", which examined the impacts of the pandemic on the value of real estate, solar power plant and natural gas cycle power plant valuation studies, cruise port valuations, pre-IPO portfolio valuations and marina feasibility.

One of a select few valuation companies in Turkey 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 sector operating with three licenses in Turkey, having obtained the RICS license, which provides international service assurance.

The Company has one of the most internationally licensed workforces in Turkey, with employees holding MRICS, Appraisal Institute and LEED Green Associate licenses related to the valuation and consultancy services which it offers. In addition, TSKB Real Estate Appraisal was the first real estate valuation company in Turkey to be awarded the ISO 9001:2008 Quality Certificate, and holds the ISO 9001:2015 Quality Management System Certification.

Solid goals in a trinity of past, future and present

Providing services in the real estate sector, which is one of the sectors to have been affected the most by the pandemic, TSKB Real Estate Appraisal succeeded in maintaining its growth in 2020. During this period, TSKB Real Estate Appraisal galvanised its operations to respond to the global pandemic with remote working and by prioritizing employee health. The Company continued its activities without any disruption, and achieved a 16% increase in its turnover.

In 2020, TSKB Gayrimenkul Değerleme's rate of converting requests to contracts stood at 60%. The company managed to expand its client portfolio even under the conditions of the pandemic.

The company aims to stand out from its competitors with its service quality and to continue its growth in the valuation sector, which is expected to grow in 2021.

TSKB Gayrimenkul Değerleme places priority on providing a strategic, innovation-based and sustainable response to the structural transformation which the real estate sector is going through, and in meeting changing user preferences.

Featured Memberships

- ULI (Urban Land Institute) Turkey Executive Board Membership: The ULI is the world's oldest, most prestigious and largest interdisciplinary initiative, which brings together real estate and land use specialists. The TSKB Gayrimenkul Değerleme General Manager has been a member of the ULI Turkey Executive Board for two years. As of 2021, the Company had taken over the co-presidency of the ULI NEXT Turkey subgroup (the 35-45 age range of real estate professionals).
- LİDEBİR Board Membership: Since 2019, the General Manager of TSKB Gayrimenkul Değerleme has been serving as a member of the board of directors at LİDEBİR, the only non-governmental organization established by CMB-licensed companies in our country.
- RICS: TSKB Gayrimenkul Değerleme is one of four companies in Turkey to hold RICS membership.
- USGBC: Since 2016, TSKB Gayrimenkul Değerleme has been the only valuation company from Turkey to be a member of the USGBC. The USGBC promotes sustainability in building design, construction and operation with the LEED certification.

INTELLECTUAL CAPITAL

ESCARUS

Strengthening brand value

ESCARUS serves a wide geographical region including international markets as well as Turkey. ESCARUS has undertaken various projects in Qatar, Lebanon, Egypt, Kenya, Senegal, Cameroon and Congo, coming a remarkable distance towards its service export goal.

ESCARUS, which predominantly carries out projects with private sector companies, diversifies its clients within the framework of providing services to public institutions and international organizations.

The first and only Turkish company to be elected to the Green Bond Principles Advisory Board

ESCARUS was elected as a member of the Green Bond Principles Advisory Board in 2019. It is the only Turkish company on the Board, with the duty of providing a broader perspective on green, social and sustainable bond markets.

Numerous projects in different disciplines

In addition to the projects which take strategic sustainability as a basis, ESCARUS successfully completed numerous reference projects, such as an investment feasibility review, technical evaluations for export loans, environmental and social assessment and monitoring, strategic analysis, sectoral analysis, sustainability reporting and integrated reporting and sustainability-oriented education.

ESCARUS considers sustainability as a concept which affects society and the economy as a whole, going far beyond the issue of the environment and the first degree issues related to the environment. Based on this approach, the Company addresses sustainability in a wide universe under the framework which it has drawn in line with the United Nation's 16+1 Sustainable Development Goals, and shapes its fields of activity in this direction.

OUTSTANDING PROJECTS in 2020

The Gaziantep Metropolitan Municipality Ecological Habitat

Within the scope of the Ecological Habitat Feasibility Project prepared for the Gaziantep Metropolitan Municipality, ESCARUS carried out field inspections and interviews with residents within the framework defined after determining the ecological life methodological framework. This framework was prepared to determine the level of preparedness of the ecological habitat concept for the neighbourhood selected together with the Metropolitan Municipality.

Red Crescent

Within the scope of the Turkish Red Crescent Second Hand Clothing Collection and Recycling Project, the collection, sorting, reuse and disposal processes of textiles collected through the clothes banks located at various roadside points by local authorities, various non-governmental organizations, foundations and associations was investigated. The conditions were evaluated specifically for our country and the Red Crescent.

Green Bond Principles

ESCARUS was again elected to the Advisory Board in the 2020 period of the international Green Bond Principles. The Green Bond Principles aim to establish standards which will be valid in different markets for the processes of green bond issuance. ESCARUS took part in the Advisory Board as the co-coordinator of the Second Party Opinion Working Group.

ESCARUS in 2021

Within the framework of the 2021 targets, ESCARUS aims to strengthen its domestic consultancy structure so it is able respond to the needs of public and private sector institutions in Turkey and abroad and will share its knowledge, especially for the purpose of helping institutions using foreign funds to create maximum value from these funds, while increasing its service exports to the surrounding region and adopting a global stance.

In 2021, ESCARUS plans to deliver sustainability-oriented technical, environmental, social and managerial consultancy services to wider segments, continue its activities with an understanding that places sustainability at the heart of all technical and financial solutions, and expand the number of projects and its sphere of influence.

INFORMATION SECURITY

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

With respect to the detection of security risks, regular security vulnerability scans are conducted by the information security teams and annual penetration tests and information systems process audits are conducted by independent auditors within the scope of BRSA regulations.

In order to ensure the security of IT assets at the Bank within the framework of international standards, a gap analysis activity was carried out in accordance with the globally accepted security control set belonging to the Center for Internet Security (CIS) community in 2020. Actions were taken regarding areas which were not in place and identified as a result of the gap analysis. A Data Labelling solution was purchased in order to increase the effectiveness of the Data Loss Prevention (DLP) systems. The application is planned to be rolled out throughout TSKB.

In order to ensure preparedness for possible cyber incidents and to test the adequacy of the security monitoring service (Security Operations Center - SOC) to be purchased for this purpose, actual attack drills are planned to be added to the scope of security testing in 2021.

The organization's information security policies and standards are determined in accordance with the COBIT (Control Objectives for Information and Related Technologies) framework and the ISO 27001 standard. The Bank aims to obtain ISO 27001 certification in 2021 in order to evaluate and certify the adequacy of the TSKB Information Security management system.

The human factor plays a major role in ensuring security as much as the technical measures put in place. With the information security policy and standards determined by the Bank, TSKB aims to roll out the security culture across the Bank and share security responsibility with all employees. In this context, training is provided to stakeholders, awareness campaigns are carried out and phishing attack simulations are carried out in order to increase awareness of information security.

The same attention to compliance and awareness expected from employees is also expected from the suppliers from which TSKB procures its services. Risk assessments of suppliers are carried out, their performances are monitored on a regular basis, information security clauses are included in the agreements made and the suppliers, who have access to the Bank's network, are required to complete the Bank's information security awareness training.



SUSTAINABLE DEVELOPMENT GOALS





INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

Although there was a slight deviation between the Intellectual Capital targets and their realizations, TSKB strived to keep the negative effects of the pandemic to a minimum and activities continued without interruption.

2020 TARGETS	2020 REALIZATIONS
TSKB Advisory Services aims to triple its revenues through its activities carried out by its large staff in 2020.	In line with the targets, all efforts were taken to keep the effects of the pandemic to a minimum. Advisory revenues increased by a factor of 1.4 by the end of 2020 compared to 2019.
Yatırım Finansman aims to increase the number of active clients by an average of 15% in 2020 and to increase the share of the revenue from these clients to 15% in total revenues.	The number of active clients increased by 52% in 2020 compared to 2019. The share of income obtained from new accounts and activated clients in total branch income stood at 12%.
TSKB Real Estate Appraisal aims to grow by 30% in 2020 by maintaining its specialist position and brand value in the sector. It aims to realize a return rate of requests to the contract of 60% in 2020.	TSKB Gayrimenkul Değerleme achieved 18% growth in turnover in 2020, short of the 30% target due to the Covid-19 pandemic and the resulting developments in the real estate markets. In 2020, it managed to expand its client portfolio even under the conditions of the global pandemic by developing policies which would ensure that the proportion of demands becoming contracts would reach 60%.
TSKB GYO aims to increase its profitability by deploying its competitive advantage in the region where the Divan Adana Hotel is located in 2020.	Divan Adana Hotel, which is 50% owned by TSKB was affected during the Covid-19 pandemic due to the fact that the tourism sector and shopping malls were among the sectors to be hardest hit by the pandemic in 2020.
Escarus aims to increase the number of projects it conducts to 30, the number of firms contacted to bid to 70, and the number of names in the consultant pool to 250 in 2020. The Company aims to deploy its project-based management system in 2020 and carry out business in each of the products collected in a total of 12 sub-titles.	In 2020, Escarus increased the number of projects it conducted to 40, the number of the number of firms contacted to bid to 98, and the number of names in the consultant pool to 255. The company commissioned the project-based management system in 2020 and conducted business on 11 of the products collected under 12 sub-headings.

2020 KEY PERFORMANCE INDICATORS	
	TSKB Economic Research authored 469 publications and 58 blog posts in 2020. ✓
	In 2020, TSKB realized Turkey's first sustainable lease certificate issuance.

FUTURE TARGETS



I1

Within the scope of **TSKB Advisory Services**, in 2021, TSKB aims to increase the number of companies from which advisory service revenue will be earned for the first time to 35 and to increase the number of completed projects by 15%.



I2

In 2021, **TSKB Real Estate Appraisal** aims to increase its turnover by 6% by maintaining brand value and its position as the sector's expert, to acquire 150 new clients and for 60% of the demands received being converted into contracts.



I3

In 2021, the Bank aims to obtain the **ISO 27001 Information Security Management System** certificate.



I4

In 2021, **Escarus** aims to increase the number of projects it conducts to 40, the number of firms contacted to bid to 90, and the number of names in the consultant pool to 300. The company aims to bring project based time management system into operation and carry out business in each of the products grouped under 13 sub-headings.



I5

Within the scope of the **Green Swan Platform**, the Bank aims to publish new reports every quarter in 2021 in order to draw attention to climate change and raise awareness of current developments in its "Climate Review" report, the first issue of which was published in 2020.



I6

Within the scope of **Investment Banking**, the Bank aims to enrich the activities in a manner which includes **sustainable financing** opportunities.

CAPITAL ELEMENTS

SOCIAL CAPITAL

SOCIAL CONTRIBUTION

Long-term responsibility projects which strengthen TSKB's social contribution

In parallel with its mission of supporting Turkey's sustainable and inclusive development, TSKB carries out various awareness, development, education, culture and the arts projects on themes such as climate change, low carbon economy, women's participation in production and equal opportunity.

Adopting sustainability and inclusiveness as the main business model for Turkey's qualified development, TSKB supports investments which generate environmental and social impacts. At the same time, the Bank reinforces the total value it generates through its long-term projects it has implemented within the scope of social responsibility, which it defines as an integrated element of its unique business model.

TSKB's social responsibility projects are structured in the fields of sustainability and equal opportunity.

With these projects, the Bank contributes to the reproduction of similar good practices in the business world, touching the more people's lives and the development of a productive ecosystem which protects the environment.

The Bank's social capital is crowned with experience and sharing efforts and is carried into the future.

SUSTAINABILITY PROJECTS

www.cevreciyiz.com

TSKB launched www.cevreciyiz.com, its first project in the field of sustainability, in 2007.

Celebrating its 13th year, www.cevreciyiz.com offers a diverse range of content on different topics such as sustainability-related business ideas, environmentally friendly designs, alternative energy resources, environmentally friendly consumption trends and examples green architecture, and has become a source of inspiration for the sustainable business world.

TSKB rolls out the impact it creates through www.cevreciyiz.com to large segments of society through its posts on social media channels.

During 2020, www.cevreciyiz.com focused on issues which threaten sustainability, in particular global warming and climate change. Since March, while the whole world's attention has been on the social and environmental effects of the coronavirus pandemic, the website supported the work of reliable international platforms in the field of sustainability, discussing the pandemic in detail with a focus on the environment, people and the future.

In 2020, the website provided its readers with a wealth of high quality and responsible broadcasts with more than 160 items of content on energy, environment, ecosystems, climate, the work of civil society and good practices from the business world.



Sustainability Workshops

With the Sustainability Workshops organized since 2012, TSKB aims to raise awareness of sustainability and enhance perceptions among university students, who will be the decision makers of the future. The workshop, which organized in cooperation with ESCARUS, a group company operating in the field of sustainability consultancy, is held at a different university every year. Students participating in the workshops come together with consultants from TSKB and ESCARUS to conduct a case analysis on a real banking project focused on issues such as climate change, the carbon economy and the environment. The Sustainability Workshop program, which aims to share knowledge on a face-to-face basis with students, was postponed in 2020 due to the pandemic.

The Zero Carbon Economy

Since 2008, TSKB has offset its entire carbon footprint arising from its internal activities with Gold Carbon Credits obtained from renewable energy companies. In addition, the Bank offsets all emissions arising from the concerts it sponsors at the Istanbul Music Festival.

Taking responsibility for the transition of the business world to a low-carbon economy, TSKB shares its support and experience on every platform with its loans, advisory solutions and social responsibility projects in the fields of renewable energy, energy and resource efficiency and by the spokespersons of the bank.

In 2020, 17 different interviews which brought the topics of sustainability, equal opportunity and green energy on the agenda, were carried out by TSKB's senior spokespersons and 27 sustainability-themed bulletins were published.



Continuous Value Creation

USD 300 million

Financing provided to support women's employment and the economy in refugee-impacted areas during the last 2 years.

1,551 SMEs, 1,079 jobs

The Number of SMEs reached and the number of jobs created through APEX loans extended during the last 3 years.

Future Projections



- » In addition to its activities in its main business lines, the Bank aims to expand and sustain the positive social impact it creates through social responsibility and awareness projects.
- » The Social Capital Targets are set out on page 113.

SOCIAL CAPITAL SOCIAL CONTRIBUTION

"At TSKB, we primarily aim to eliminate possible climate-related crises which could arise with the investments we finance. our efforts in this vein continue as we seek to expand our cooperation with the government, NGOs and universities, as well as all our stakeholders. We believe it is extremely important for banks to act jointly to adopt an approach to financing which helps prevent climate change and protects natural resources.

ECE BÖRÜ
Board Member and CEO

"We consider each project as a contribution to the development of our country and to local and global sustainability. In this regard, we operate in line with the United Nations Sustainable Development Goals."

MERAL MURATHAN
Executive Vice President

Patara Ancient City Excavations

TSKB considers the protection of cultural and historical treasures as one of the cornerstones of sustainability. The Bank has been supporting the excavation works at the Patara ancient city, one of our country's important historical treasures, together with Türkiye İş Bank ve Şişe ve Cam Fabrikaları A.Ş. since 2016.

Patara, which was the capital of the Lycian Union and State, and which is located near the Kalkan town of Kaş in the Antalya district, offers a treasure trove of ruins with its amphitheatre, old parliament, temple, horrea (warehouse structures), stadium and baths.

In addition to unique monuments such as the "Lighthouse" and "Road Guide Monument", the ancient

city has also hosted a kulliye, which was the first Ottoman Radio Telegraph Station, since 1905. The excavation of the Patara Ancient City by the Ministry of Culture and Tourism has been carried out for nearly 30 years under the leadership of Prof. Dr. Fahri Işık and Prof. Dr. Havva Işkan Işık, who are faculty members of the Department of Classical Archeology, Faculty of Letters at Akdeniz University.

Support provided to the Hand by Hand for Hatay Campaign by TSKB

TSKB supported the Hand in Hand campaign for Hatay initiated after the forest fires in the Hatay province, in a bid to regenerate the forests ravaged by the fire, with a donation to TEMA to plant saplings on behalf of the entire TSKB family.



EQUAL OPPORTUNITY PROJECTS

With its recent focus on inclusive development, TSKB extends funds to the private sector to increase women's employment. Among companies participating in the Women Friendly Loan Program in the 2018-2020 period, there was a 25% improvement in performance in development areas such as policies, education, working conditions and representation in management.

Taking advantage of the knowledge and experience which it gained during this period, TSKB designed and implemented equal opportunity projects in areas which it believes it can make a difference.

"From Education to Production" Scholarship Fund

Women's participation in the economy offers tremendous potential to increase our country's welfare. The realization of this potential is related to the empowerment of women through education. Acting with this belief, TSKB established the "From Education to Production" Scholarship Fund.

With the scholarship fund established in cooperation with the Turkish Educational Foundation (TEV), girls attending university on the 3rd and 4th years of their course receive support every year. Beyond being a scholarship fund, the project also offers its stakeholders opportunities such as mentorship, education and internships with the aim of ensuring that more and more women take part in work life.

Taking important steps to empower future female employees in the fields of education and equal opportunities, TSKB increased its annual contribution to cover 70 girls in 2020, to mark the celebration of its 70th year of operation.

#EqualSteps

The digital platform, www.esitadimlar.com, which was implemented in cooperation with SKD Turkey (the Business World and Sustainable Development Association Turkey), offers a comprehensive guide for all companies seeking to take steps to support women's employment and improve the approach of equal opportunities in the workplace.

With its digital library and effective use of social media channels, #EşitAdımlar has progressed towards becoming a platform which hosts successful applications from Turkey and the world, along with roadmaps, standards and regulations on the subject and all qualified research carried out in this field.

In 2020, a total of 213 contents were shared on the #EşitAdımlar website. The website attracted a 3.5-fold increase in its number of visits and a 2.5-fold rise in the rate of visitors to the website reading the articles when compared to the previous year. There was a 53% increase in the number of followers on the platform on social media when compared to the previous year. #EşitAdımlar closely followed the impact of the pandemic on the female workforce, with 65 articles written under this theme.

The Finance in Common Summit, the first global meeting of more than 450 development banks, organized under the leadership of the International Development Finance Club (IDFC), also featured sustainability or climate-oriented national or international projects / programs led by development banks in their respective spheres of influence. #EşitAdımlar was among the 30 projects to be recognised as one of the best practices.

Women Stars of Tomorrow

TSKB's support for cultural and artistic activities has been well known for many years. The Bank has been supporting the concerts within the scope of the Music Festival organized by the Istanbul Foundation for Culture and Arts (IKSV) since 1990.

TSKB has also served as a pioneer in its work in this field, enabling the festival's first and only Zero Carbon concerts to be realized by offsetting the carbon footprint of the concerts under its sponsorship between 2014 and 2017.

Every year since 2018, TSKB has been supporting the advancement of the international careers of gifted young female musicians in the instrumental, vocal and conducting areas with the "Women Stars of Tomorrow" education support fund, which was launched within the scope of 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 in their participation in activities such as master classes, orchestra selection, international competitions, or in the purchase of musical instruments, which will contribute positively to their career development, can apply to this fund.

Due to the pandemic, the 2020 concert was held on the online platform. The concert, which was filmed at the Süreyya Opera House, with women musicians accompanied by the renowned pianist Ayşegül Sarıca, was broadcast for one month. Attracting a total audience of more than 3,600 during this period, it was the most watched concert after the Opening Concert, streamed free of charge within the scope of the Istanbul Music Festival.

A total of 40 students benefited from the scholarship fund, including 14 in 2018, 14 in 2019 and 12 in 2020.

SOCIAL CAPITAL

SOCIAL CONTRIBUTION

EXPERIENCE SHARING AND REPORTING

TSKB share the economic, environmental and social impact resulting from its banking activities through experience sharing and reporting activities and establishes mutual interaction with its stakeholders.

TSKB also establishes productive cooperation with NGOs which generate value in areas such as sustainability and women's employment. TSKB is actively involved in the "Equal Opportunity" and "Sustainability" working groups of a number of national and international initiatives such as the SKD Turkey, TÜSIAD, Global Compact, UNEP FI, IDFC, and supports joint projects.

A summary of TSKB's work in this field, which come to the forefront in 2020, is provided below:

- The UN Global Compact Young SDG Innovators
TSKB was the only financial institution from Turkey to participate in the Young SDG Innovators Program (YSIP), which was hosted for the first time in the world by the UN Global Compact, and where the young employees under the age of 35 from member companies represent their organizations.
- Finance in Common Summit
TSKB was the signatory of three different declarations, on "Gender Equality", "Biodiversity Protection" and "Combating Climate Change" at the "Finance in Common" summit, which is the first global meeting of development banks around the world, and organized under the leadership of the IDFC. TSKB led the session on "Development Banks as Actors for Change Towards Gender Equality" held under the moderation of UN Women, with TSKB participating in the session together with the African Development Bank and the FinDev Canada Green Climate Fund (GCF) as a speaker.

The commitments spelt out in the "Gender Equality" declaration will be followed up in order to present the results in the "Generation Equality Forum" to be held in 2021.

- IIRC Global Conference-Country Spotlight: Turkey
TSKB attended IIRC Global Conference-Country Spotlight on Turkey as a speaker under the moderation of the ERTA, which provided a forum to discuss the power of integrated thinking and integrated reporting in improving the investment environment as well as companies' value creation stories.
- Quality Congress "Responsible Leadership in Times of Pandemic and Crisis"
TSKB participated in the event held under the title of New Directions, New Horizons as a speaker.
- The Panel on Women's Employment in the Pandemic and Social Impact Training with the SDA Turkey
TSKB sits on the board of directors of the SKD Turkey and leads the Women's Employment and Equal Opportunity working group. In 2020, within the scope of the # EşitAdımlar Platform, the social impact measurement training program focused on the issue of gender equality was held in an online panel where SDA -Turkey members shared practices regarding women's employment and equal opportunity during the pandemic.

Going forward, TSKB will continue to cooperate with international initiatives such as the IDFC, D20-LTIC, ELTI, UNEP FI and ADFIMI, which it is a member of. It will continue to work in line with Turkey's goals and needs. In light of these collaborations, TSKB aims to follow global trends and good practices and implement pioneering practices aimed at raising awareness in the sector. In this context, the Bank issued its first report within the scope of UNEP-FI Responsible Banking principles in 2020.

TSKB has carried out sustainability and integrated reporting for 10 years. TSKB has inspired numerous companies, especially in the banking sector, to integrate sustainability in business cycles and to pursue transparent stakeholder communication. The integrated reports published by TSKB are among the few pioneering reports to be considered as case studies in workshops, meetings and benchmark studies organized by the initiatives operating to promote integrated reporting in Turkey.

In addition, TSKB also periodically conducts Stakeholder Dialogue talks. The Bank receives contributions and recommendations from all stakeholder groups and takes care to include all relevant parties in the development journey.

Believing that the power of influence of social responsibility projects becomes established over time, TSKB is focused on implementing the concept of long-term responsibility. Acting on this understanding, it is committed to developing projects and increasing its contribution in areas which will play a key role in our country's sustainable development story, like climate change and women's employment, in the coming years.

Actively participating to sectoral events to strengthen stakeholder communication

Sectoral organizations play an important role in helping TSKB reach a wide range of stakeholders and share its experience. Within the scope of these organizations, TSKB improves its dialogue with its stakeholders and contributes significantly to the awareness of participants on issues of sustainability.

TSKB's participation and contribution in this regard is not limited to Turkey. TSKB employees also share the Bank's expertise in the international arena as speakers in capacity building training and in global summits.

TSKB'S SUSTAINABILITY JOURNEY HAS BEEN CROWNED WITH RESPONSIBILITY PROJECTS, IS EVOLVING INTO THE FUTURE WITH ITS EXPERIENCE AND SHARING ACTIVITIES



With its social projects, TSKB is focused on increasing the number of similar good practices in the business world, touching the lives of more people and contributing to the development of a productive ecosystem which protects the environment with tangible results.

2007

cevreciyiz.com

2008

Zero Carbon Banking

2012

Sustainability Workshops

2016

Patara Ancient City

2017

From Education to Production

2018

Women Stars of Tomorrow

2018

esitadimlar.com

2020

Green Swan Platform

SOCIAL CAPITAL

SOCIAL CAPITAL TARGETS AND KEY PERFORMANCE INDICATORS

The Bank continues to create both direct and indirect positive social impacts through social responsibility projects and financial support for inclusiveness.

2020 TARGETS	2020 REALIZATIONS
In line with SDGs and inclusive finance, providing USD 250 million in funding by the end of 2020 in order to support women's employment and the economy in refugee-impacted areas.	USD 300 million in financing was provided. ✓
In line with SDGs and inclusive finance, supporting women's employment, equal opportunities and the economy in refugeeaffected areas and increasing awareness.	Apex Loans have reached 1,551 SMEs in the last 3 years, creating an additional 1,079 jobs.
	As a result of the action plans, there was a 15% increase in the average score of the companies in 2020.*
	In 2020, scholarships were provided to 82 female students on behalf of external stakeholders.
	The fourth International Women's Day Event, which TSKB organizes with the AFD every March to draw attention to gender equality, was held under the title "Women in Business Life from a Social Perspective"
Diversifying the activity in the field of sustainable development, where TSKB is a pioneer, and raising awareness in our country.	Seven social and environmental conferences were sponsored in 2020.
	The 57 employees involved in the sustainability structure, representing 15% of TSKB's banking staff, share their knowledge and experience with the business world on different platforms. ✓

* In the loans provided from the IBRD and AFD under the themes of providing gender equality in the workplace and improving women's employment, the application tool consisting of seven main categories was used so companies could carry out self-evaluation.

FUTURE TARGETS



S1

Within the scope of SDG 8-Decent Work and Economic Growth

To provide **USD 150 million** in financing in order to contribute to boosting the resilience of the companies adversely affected by the **Covid-19** pandemic, to address their liquidity needs and to support the sustainability of their activities.



S2

Within the scope of SDG 5-Gender Equality and SDG 8-Decent Work and Economic Growth

To provide **USD 200 million** in financing to support women's employment and support the economy in the developing regions.



S3

Within the scope of SDG 17-Partnerships to Achieve the Goal

to raise awareness and a **consciousness of climate change** by bringing together our different stakeholders through the Green Swan Platform.



S4

To increase awareness by strengthening collaborations on the SDG 5 Gender Equality within the scope of the "Paris Declaration on **Gender Equality** and Women's Empowerment, which we signed last year for IDFC - FiCS.



S5

To achieve an improvement of **20%** in the average company score of the companies in the next 3 years (2021-2023) as a result of the action plans determined within the scope of the **gender equality and improving women's employment.***



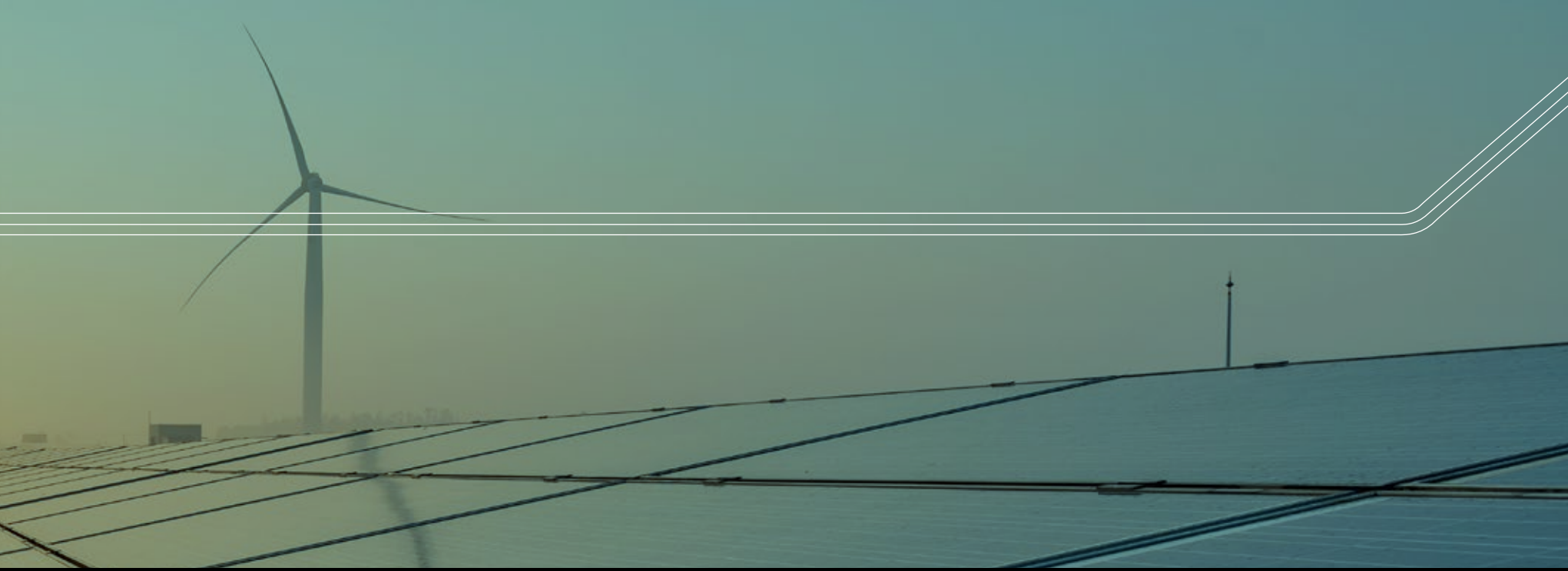
S6

In 2021, to award scholarships to **30 female students and young musicians** with the TEV "From Education to Production" Scholarship Fund and the IKS Women Stars of Tomorrow project.

* In loans provided from the IBRD and AFD under the themes of providing gender equality in the workplace and improving women's employment, the application tool consisting of 7 main categories is used for companies to carry out self-evaluation.

3

CORPORATE GOVERNANCE AND RISK MANAGEMENT



Focus on Structural Changes During Recovery Times

Funding tools focused on development and structural transformation is more important in post pandemic environment in order to target a more greener, fair and inclusive recovery. Financial Institutions mainly the Development Finance Institutions play an important role in supporting the sustainable development with their strength in transformation.

For more details:

 https://www.tskb.com.tr/i/assets/document/pdf/in_search_of_transformational_recovery.pdf



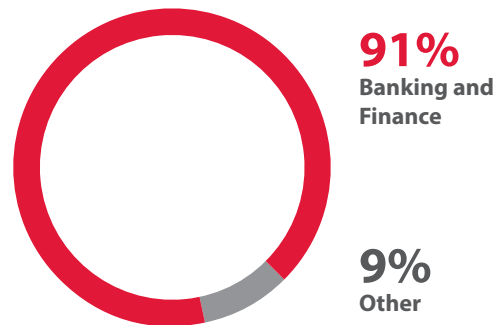
BOARD OF DIRECTORS



COMMITTEE MEMBERSHIPS OF BOARD MEMBERS

- Credit Revision Committee
- Audit Committee
- Corporate Governance Committee
- Remuneration Committee
- Sustainability Committee
- C Chairperson of the relevant committee

BREAKDOWN BY PROFESSIONAL COMPETENCE (%)



H. Ersin ÖZİNCE

Chairman

H. Ersin Özince was born in Havran in 1953 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at Isbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at Isbank, Mr. Özince was promoted to the post of Deputy Chief Executive in 1994 responsible for Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. On 28 October 1998, Mr. Özince was appointed as the 15th Chief Executive Officer of Isbank. Elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, Mr. Özince performed the Chairmanship of Isbank Board between 1 April 2011 – 31 March 2019. Mr. Özince served as the Chairman of the Board of Directors of the Banks Association of Turkey between 2 November 1998 - 31 May 2000, and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of TSKB between 17 April 2009 – 1 April 2011, the Chairman of the Board of Directors of T. Şişe ve Cam Fabrikaları A.Ş. between 28 October 1998 - 14 April 2006, and 1 April 2011 - 6 April 2017 and as the Chairman of the Board of Directors of Türkiye İş Bankası A.Ş. Members Supplementary Pension Fund between 9 November 1998 - 17 July 2020. Mr. Özince has been the Chairman of TSKB's Board of Directors since 4 May 2017. In addition to his duties at the Bank, he serves as the Chairman of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA Foundation).



Mahmut MAGEMİZOĞLU

Vice Chairman

(Independent Board Member*)

Mahmut Magemizoğlu graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration and obtained his Master's degree in Investment Analysis from the University of Stirling in the UK. Mahmut Magemizoğlu started his professional career in 1982 at Türkiye İş Bankası as Assistant Inspector and held various managerial positions between 1992 and 1999. Magemizoğlu served as the Subsidiaries Division Head between 1999 and 2005, and worked as the Deputy Chief Executive of Türkiye İş Bankası between 2005 and 2016. After having acted as the Senior Deputy Chief Executive between 2016 and 2018, Magemizoğlu retired in September 2018. To date, Mr. Magemizoğlu has served as chairman or board member on the board of directors of more than 20 companies. Mr. Magemizoğlu served as the Senior Advisor to the CEO of Türkiye İş Bankası between 2018 and 2020. Mr. Magemizoğlu was appointed as Board Member of TSKB on 5 May 2020 and is serving as vice Chairman and the head of Audit Committee.



Ece BÖRÜ

Board Member and CEO

Ece Börü was born in İstanbul in 1966 and graduated from Management Engineering Department of İstanbul Technical University in 1988. Ms. Börü joined TSKB as an assistant specialist in Financial Control Department in 1989. She was promoted to Head of Financial Control in 2000 and to Head of Board of Internal Auditors in 2006. Promoted to Executive Vice President In 2013 Ms. Börü was in charge of Enterprise Architecture and Process Management, Human Resources, Corporate Communications Departments between 2013-2017. In 2017, Budget Planning and Investor Relations, Financial Analysis and Valuation and Financial Control Department. As of 25 August 2020, Ms. Börü has been appointed as Chief Executive Officer and as a member of Board of Directors of TSKB.

Yavuz CANEVi

Board Member

Yavuz Canevi was born in Konya in 1939 and graduated from the Finance and Economics Department of the Faculty of Political Sciences, Ankara University in 1960. He completed a master's degree at the University of Southern California in 1969. After serving as a Ministry of Finance Inspector from 1960 to 1963, he worked in a variety of positions in public and private organizations from 1963 to 1989, until being retired from his position as Treasury Undersecretary in the latter year. Mr. Canevi has been the Chairman of the Board of Directors at Türk Ekonomi Bankası since 1996. Mr. Canevi, who had served as a member of TSKB's Board of Directors between 1993 and 2012, was re-appointed as a member of TSKB's Board of Directors on 9 April 2015.

*Members of Audit Committee are accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

BOARD OF DIRECTORS



Bahattin ÖZARSLANTÜRK

Board Member

Born in 1971, Mr. Özarıslantürk graduated from İstanbul University, department of Business Administration. He started his professional career in 1994 at Türkiye İş Bankası Zincirlikuyu Branch as assistant loan specialist. Özarıslantürk, who continued to work as a Specialist in the Risk Management Department in 2000, became Assistant Manager in the Corporate Loans Department in 2002 and the Regional Manager in the same department in 2006. He serves as Hadımköy Commercial Branch Manager in 2009, Güneşli Corporate Branch Manager in 2011, Commercial Loans Allocation Manager in 2013 and Başkent Corporate Branch Manager in 2017. Finally, he was appointed as İstanbul Corporate Branch Manager on January 30, 2020. Mr. Özarıslantürk was elected as a member of TSKB's Board of Directors in 24 August 2020.



Mithat RENDE

Board Member

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of the University of Ankara and assumed various duties in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London Embassies and Permanent Representatives. Mr. Rende also served as the Director of the Human Rights Department at the Ministry after completing the post-graduate program in Security and International Relations at the London-Royal College of Defence Studies. In 2005, he was appointed as Deputy Director General of Energy Environment and Water Affairs, served as Chairman of the Trade and Transit Working Group of the Energy Charter Conference in Brussels between 2005 and 2008, and was appointed as Ambassador to Doha (Qatar) in 2007. Mr. Rende served as Director General of Multilateral Economic Affairs and Turkey's Chief Negotiator for Climate Change between 2010-2013. He was also a member on the Turkish Nuclear Energy Commission during the same period. Mr. Rende was appointed as the OECD Permanent Representative of Turkey in 2013, and was elected as Chairman of the Executive Committee of the OECD in 2014. Having retired in 2016, Mithat Rende has been a member of the TSKB Board of Directors since 4 April 2017. Mr. Rende is an Independent Board Member.



Zeynep Hansu UÇAR

Board Member

Ms. Zeynep Hansu Uçar was born in Ankara in 1971 and graduated from Business Administration Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1993. Ms. Uçar has started her professional career at İsbank as an assistant specialist in Subsidiaries Department. Having served as the Unit Manager between 2007 and 2015, she was promoted as Department Manager of the Subsidiaries Department. Ms. Uçar has been a TSKB board member since 2 December 2015.



Ozan UYAR

Board Member

Ozan Uyar was born in 1974 in Eskişehir and graduated from the Management Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1997. Mr. Uyar started his professional career at İşbank as Assistant Inspector on the Board of Inspectors in 1997 and he came to several management positions at Commercial Loans Underwriting Division since 2006. Mr. Uyar was appointed as Head of Credit Portfolio Management Division in 2015 and Corporate Banking Marketing and Sales Division in 2017. Mr. Uyar has been positioned as Head of Corporate Loans Underwriting Division in January 2020 and as Head of Project Finance Division in August 2020. Ozan Uyar has been elected as a member of the TSKB's Board of Directors in 5 May 2020.



Abdi Serdar ÜSTÜNSALİH

Board Member

Mr. Üstünsalih, born in 1963 in Trabzon, began his career as an associate in 1991 at VakıfBank. After having served as manager in various branches and departments at VakıfBank, he served as the Head of IT, Retail Banking, Banking Operations, Basic Banking Application Development departments. Mr. Üstünsalih became Executive Vice President in July 2018 and he has been CEO and Executive Board Member of VakıfBank since 27 May 2019. Moreover, Mr. Üstünsalih is a Board Member of the Banks Association of Turkey. Mr. Üstünsalih has been serving as a Board Member of TSKB since 25 June 2019.



Gamze YALÇIN

Independent Board Member*

Ms. Gamze Yalçın has a BSc degree in Economics from the Middle East Technical University. She also holds a master's degree in International Banking and Finance from the University of Birmingham, UK. She attended to the Advanced Management Program (AMP193) in Harvard Business School in 2017. Ms. Yalçın started her professional career at Isbank as a business analyst in 1993 and has served in various functions of the Bank. She worked in the establishment and implementation of risk management systems and processes as a risk manager. Ms. Yalçın was appointed as Deputy Chief Executive in charge of Financial Institutions and Investor Relations on 28 November 2017. Gamze Yalçın was appointed as TSKB Board Member on 18 April 2019. Due to being a member of the Bank's Audit Committee, Ms. Yalçın is an Independent Board Member.

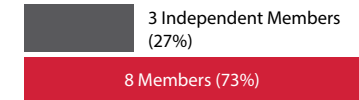
Hüseyin YALÇIN

Board Member

Hüseyin Yalçın holds a degree in Economics from the Faculty of Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990. From 1990 to 2000, Mr. Yalçın served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey. After the transfer of banks to Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, as a Deputy General Manager at Sümerbank, as a Deputy General Manager at Kent Portföy and as the General Manager Consultant at Toprakbank from 2000 until 2002. He was elected as a member of the Board of Directors at Isbank in 2011 and worked for 6 years in same position. Hüseyin Yalçın was elected as a member of the Board of Directors at Milli Reasürans between 2017 and 2018. Since 6 April 2018, Mr. Yalçın has been a TSKB Board Member.

BREAKDOWN IN TERMS OF INDEPENDENCE&ROLES (%)

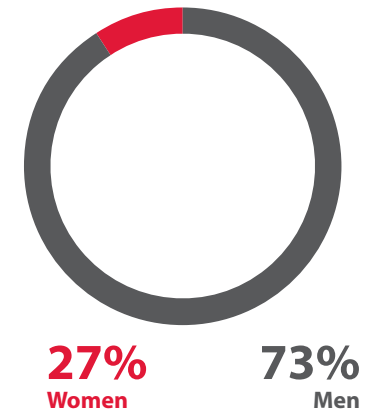
With respect to Independency



With respect to roles



BREAKDOWN BY GENDER (%)



*Members of Audit Committee are accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communique No: II.17.1., Article 6/(3)-a.

SENIOR MANAGEMENT



Ece BÖRÜ

Board Member and CEO

Ece Börü was born in Istanbul in 1966 and graduated from Management Engineering Department of Istanbul Technical University in 1988. Ms. Börü joined TSKB as an assistant specialist in Financial Control Department in 1989. She was promoted to Head of Financial Control in 2000 and to Head of Board of Internal Auditors in 2006. Promoted to Executive Vice President in 2013 Ms. Börü was in charge of Enterprise Architecture and Process Management, Human Resources, Corporate Communications Departments between 2013-2017. In 2017, Budget Planning and Investor Relations, Financial Analysis and Valuation and Financial Control Department. As of 25 August 2020, Ms. Börü has been appointed as Chief Executive Officer and as a member of Board of Directors of TSKB.

Meral MURATHAN

Executive Vice President

Meral Murathan was born in Erzurum in 1977, and graduated from the department of Economics at Boğaziçi University. She started her career in TSKB Treasury Department in 1998. After serving in a variety of roles and positions, she was promoted as Head of Financial Institutions in 2012. Meral Murathan promoted to Executive Vice President position in 1 April 2019. She has been currently in charge of Financial Institutions and Investor Relations, Development Finance Institutions, Loan Monitoring and Engineering and Technical Advisory Departments.

Aslı Zerrin HANCI

Executive Vice President

Aslı Hancı was born in Ankara in 1969 and graduated from the Faculty of Business Administration at Istanbul University in 1990. Having begun her professional career at Citibank in 1991, she worked at Treasury department of Chase Manhattan and BNP Ak Dresdner Bank respectively. Ms. Hancı joined the TSKB Treasury Team in 2005. She was appointed as the Head of Securities Department in 2007, Head of Treasury Department in 2008 and promoted to Executive Vice President position in 1 January 2017. She has been currently in charge of Treasury, Treasury and Capital Markets Operations, Loan Operations and Corporate Communications Departments.

Hasan HEPKAYA

Executive Vice President

Hasan Hepkaya was born in Samsun in 1981, and graduated from the department of Business Administration at Hacettepe University. He started his career in Garanti Leasing in 2003. After serving in a variety of roles and positions in Corporate Banking and Project Finance Departments in TSKB between 2005 - 2014, he was promoted as Head of Project Finance and Head of Corporate Banking respectively between 2014-2018. As of 1 April 2019, Hasan Hepkaya has been appointed as Executive Vice President in charge of Corporate Banking Marketing, Project Finance, Corporate Banking Sales, Economic Research, Financial Advisory Departments and Business Development & Advisory Management Office.

Hakan AYGEN

Executive Vice President

Hakan Aygen was born in Konya in 1965 and graduated from Management Engineering Department of Istanbul Technical University. Mr. Aygen started his professional career in non-financial sector in 1989. He joined TSKB in 1995 as an assistant specialist in the Financial Analysis Department and completed his master's degree on Management and Organization at the Marmara University in 1996. Mr. Aygen was appointed to Head of Corporate Finance Department in 2006 and promoted to Group Head in 2011. Having received his Accounting Finance doctorate degree from Marmara University in 2013, he was promoted as Executive Vice President on November 28, 2013. Mr. Aygen has currently been in charge of Corporate Finance, Loans Allocation, Loan Analysis and Specialized Loans Departments.



Hidayet Yetkin KESLER

Executive Vice President

H. Yetkin Kesler was born in Istanbul in 1966 and graduated from the Department of Industrial Engineering at Boğaziçi University in 1989. He started his career as an Assistant Internal Auditor at Koçbank in 1992. Then he completed his master's degree of Management Engineering at Istanbul Technical University in 1993. Mr. Kesler joined TSKB as a Financial Controller Specialist in 1994 and was appointed as Head of System Development in 2005, as Head of Internal Control in 2011, and as head of Enterprise Architecture and Process Management Department in 2013. In 1 January 2017, Kesler was appointed as Executive Vice President and has currently been responsible for Human Resources, Enterprise Architecture and Process Management and Pension and Assistance Funds.

Gökhan ÇANAKPINAR

Executive Vice President

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr. Çanakpınar began his professional career at İpekiş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at İşbank for six years. In 1995, he started serving as System Analyst at TSKB and appointed as the Head of Application Development Department in 2000. Mr. Çanakpınar promoted to Director of Information Technology Unit in 2011. Since December 27, 2011 he has been working as an Executive Vice President. He is currently in charge of System and Network Support, Application Development, Support Services Departments.

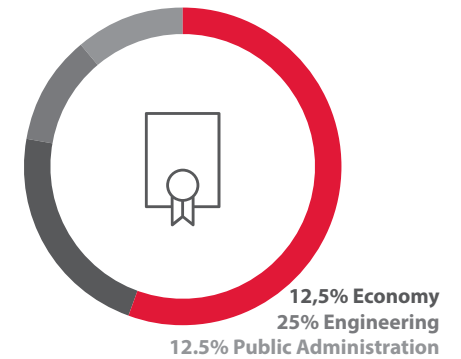
Aziz Ferit ERASLAN

Executive Vice President

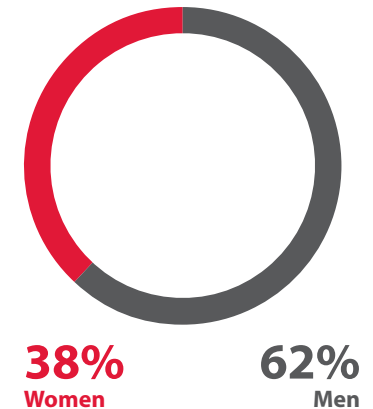
Aziz Ferit Eraslan was born in Istanbul in 1969. Following his graduation from the Public Administration Department of Orta Doğu Technical University in 1991, he completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career at İşbank's Board of Inspectors. He completed his master's degree at the Stirling University of Scotland between 1996-1997. At the Accounting Department of İşbank, Mr. Eraslan was appointed as Deputy Manager in 2000 and as Group Manager in 2003. Between 2007 and 2012, he was positioned as the Department Head at the Accounting Department, name of which was in time transformed to Financial Management Department. Between 2013 and 2015, Mr. Eraslan was in charge of Chief Executive Officer position at Closed Joint Stock Company İşbank. In October 2015, he was appointed as Executive Vice President who is responsible for Board of Inspectors, Risk Management and Internal Control Departments at TSKB. In September 2020, he was appointed as Executive Vice President who is responsible for Financial Control, Budget Planning and Corporate Compliance Departments.

BREAKDOWN BY PROFESSIONAL COMPETENCE (%)

50% Business Administration



BREAKDOWN BY GENDER (%)



CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Türkiye Sınai Kalkınma Bankası A.Ş. (hereinafter “TSKB” or the “Bank”) is subject to “Corporate Governance Principles” compliance of which is obligatory for banks within the framework of Capital Markets Board (CMB) and banking regulations. According to the Bank’s Articles of Association Article 55, transactions made and the resolutions of the Board of Directors passed by not observing the said obligatory principles shall be deemed as conflicting with the Articles of Association. The Bank applies the compulsory principles in “Banks’ Corporate Governance Principles Regulation” and “Corporate Governance Communiqué”.

Although most of the non-compulsory Corporate Governance Principles are met, there are still some principles observed incompletely, which are stated below. There are no conflicts of interest arising from failure to fully comply with the non-compulsory principles that the Bank has been exposed to.

- In relation to the principle no. 1.5.2, there is no regulation in the Bank’s articles of association except for the provisions stipulated by the relevant legislation on minority rights.
- In relation to the principle no. 4.6.1, the performance of the Board of Directors is not assessed via a special evaluation.
- In relation to the Principle 4.6.5, due to corporate policies, the Bank does not announce the remuneration of the senior management and board member on a personal basis. The total figure is announced in the annual report.

Filed in accordance with Capital Market Board Resolution numbered 2/49 and dated January 10, 2019, Bank’s Corporate Governance Principles Compliance Report (CRF) and Corporate Governance Information Filings (CGIF) can be reached at Public Disclosure Platform (PDP).

A leading institution in corporate governance, the Bank attained a corporate governance rating in 2020 that enabled it to maintain its position among the highest-rated institutions. TSKB’s corporate governance rating has been affirmed as 9.56 over 10 as the result of the assessment of Saha Rating on October 19, 2020. While the rating of the first three sections did not change, the Board of Directors section’s rating edged up to 9.39 with the number of women board members surging up to 3.

TSKB’s Corporate Governance Rating

Main Sections	Weight	Grade
Shareholders	0.25	9.51
Public Disclosure and Transparency	0.25	9.70
Stakeholders	0.15	9.85
Board of Directors	0.35	9.39
Total		9.56

TSKB, which has a long history of sustainable banking and good ESG practices, operates in compliance with the Sustainability Principles Compliance Framework that was published by CMB’s resolution dated October 2, 2020. The Bank’s Sustainability Principles Compliance Report is found in the annex of this Integrated Annual Report.

- In relation to the environmental principles B/25, there has been no carbon pricing within the Bank’s practices yet. Transition to low 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 risks. After the targeted progress has been realized in this area, carbon pricing will also be considered as one of the steps ahead.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

Duties and responsibilities of "Stakeholder Relations Department" are executed pursuant to the fundamentals of corporate governance which are transparency, accountability, responsibility and equality by the departments of Financial Institutions&Investor Relations and Legal Affairs. "Investor Relations Department Manager", who holds Capital Market Activities Advanced Level Certificate and Corporate Governance Rating Specialist Certificate, serves as a member of Corporate Governance Committee as per the provisions of the governing legislation.

Contact details of the employees who take part in Investor Relations are given in the following table:

Full Name and Title	Phone No	Electronic Mail Address
Meral Murathan Executive Vice President for Financial Institutions and Investor Relations, Development Finance Institutions	0 212 334 51 24	murathanm@tskb.com.tr
Ayşe Nazlıca Head of Financial Institutions and Investor Relations Department	0 212 334 51 94	nazlicaa@tskb.com.tr
Gizem Pamukçuoğlu Financial Institutions and Investor Relations Department Senior Manager	0 212 334 52 58	erarslang@tskb.com.tr
Özen Çaylı Financial Institutions and Investor Relations Department Manager*	0 212 334 52 49	halilogluo@tskb.com.tr
Özlem Bağdatlı Head of Legal Affairs Department	0 212 334 50 93	bagdatlio@tskb.com.tr
Korhan Aklar Legal Affairs Department Senior Manager	0 212 334 50 92	aklark@tskb.com.tr

*Ms. Özen Çaylı, Investor Relations Department Manager, holds Capital Market Activities Advanced Level Certificate (Certificate No: 204985) and Capital Market Board Corporate Governance Rating Specialist Certificate (Certificate No: 701337).

2.2. General Assembly Meeting

The Ordinary General Assembly was held on March 26, 2020 with the participation of 213.393.521.324 shares representing such capital in the total amount of 2.091.445.075,705 TL of 280.000.000.000 shares corresponding to the Bank's total capital of 2.800 million TL. The participation rate was 75%.

The following resolutions were discussed and voted by the shareholders at the meeting:

- Constitution of the Meeting Council in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Council for the execution of the minutes of the General Assembly, was resolved unanimously by the shareholders.
- Review and discussion of the Annual Reports of the Board of Directors and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within the year of 2019, was approved by majority of the shareholders' votes.
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2019, was adopted by majority of the shareholders' votes.
- The appointment of Mr. Abdi Serdar Üstünsalih and Ms. Gamze Yalçın to replace Mr. Mehmet Emin Özcan and Ms. Ebru Özşuca who resigned from their office was adopted by majority of the shareholders' votes.
- Determination of release for the Members of the Board of Directors, was approved by the majority of the shareholders' votes.
- In line with the Bank's Profit Distribution Policy and in light of the economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels, and assessment by the Banking Regulation and Supervision Agency about our Industry, decision to maintain the profit in equity accounts was approved by the majority of the shareholders' votes. The General Assembly was informed on the bonus payments made to employees in 2019 and those proposed to be made in 2020.

CORPORATE GOVERNANCE

- Determination of the attendance fee to be paid to the Members of the Board of Directors has been resolved by majority of the shareholders' votes.
- Appointing the independent audit firm, was adopted by the majority of the shareholders' votes.
- Donations made during the year, 180,400 TL, were submitted for the Information of the General Assembly. In addition, the determination of the upper limit for donations to be made in 2020 was approved with the majority of shareholders.
- Empowering the Members of the Board of Directors with regards to responsibilities and transactions set forth in Turkish Commerce Code, Articles 395 and 396 was approved with the majority of shareholders.
- Pursuant to the Article 1.3.6. of the Communiqué for the Adoption and Implementation of the Corporate Governance Principles applicable by the Capital Markets Board, shareholders were informed that İş Bankası A.Ş. and TSKB are companies operating in the same sector and that some members of the Board of Directors are currently working for İş Bankası A.Ş. and Vakıflar Bankası T.A.O. in management positions.

Throughout the period, there has been no transaction where the decision had to be left to the discretion of the General Assembly due to independent board of directors' member rejections. The resolutions of the General Assembly meeting were published on Public Disclosure Platform on 26.03.2020.

2.3. Profit Distribution Policy

Dividend Payment Proposal of the Board of Directors is prepared in the framework of Profit Distribution Policy approved by the General Assembly regarding the sensitive balance between shareholders' expectations and the bank's growth requirement and the profitability of the Bank. Principles governing the Bank's dividend distribution are arranged in the Articles of Association, Article 47, and there are 100 founders' shares that receive a portion of the profits distributed subject to these principles.

The Bank's dividend payment policy was revised in 2019 has been disclosed to shareholders on the Bank's Turkish and English websites.

In the General Assembly Meeting on 26.03.2020, in line with the Bank's Profit Distribution Policy and in light of economic developments in our country and the world, the Bank's long-term growth targets and sustainable and strong equity levels and assessment by the Banking Regulation and Supervision Agency about our industry, the Proposal by our Board of Directors was unanimously approved, whereby a sum of 35.082.226,43 TL should be set aside as the statutory reserve fund out of the net financial year profit in the amount of 701.644.528,69 TL that was generated in 2019 and that a sum of 666.562.302,26 TL be transferred to extraordinary reserves and maintained in equity accounts. It was stated in the General Assembly Invitation published on Public Disclosure Platform on 26.02.2020 that no dividend will be distributed.

SECTION III – STAKEHOLDERS

The stakeholders, who have an interest in the bank, including shareholders, employees, creditors, clients, suppliers, non-governmental organizations, the government and potential investors submit their complaints and recommendations to the Bank by means of a communication form that can be found on the Bank's website. Furthermore, stakeholder analysis done every two years contributes in this aspect.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues. The Bank, which continues to develop mechanisms to include employees into decision-making processes, receives employee feedback via committee activities as well as periodic surveys. Besides, "HR Representatives" project which gathers employees from every department and was launched in 2017 still actively in practice.

The participation of employees to the management is incorporated to the internal regulations. The employees are authorized according to their signing rating in pursuant to the Directive of Türkiye Sınai Kalkınma Bankası transfer of Representation Authority published on Trade Registry Newspaper at page 483, dated November 11, 2005 with the number 8944.

Employees are able to convey their opinions and claims to the relevant persons and have contribution to the company resolutions by means of "I Have a Recommendation" and "Complaint Form" that they can access on the Bank's intranet. Moreover, there are many committees that are formed by the Bank employees, concentrating on various issues. Participation of the employees in management is also made possible by means of these committees.

SECTION IV – BOARD OF DIRECTORS

4.1. Board Members

Board of Directors consists of 11 members, which allows the activities of the Board of Directors to be organized effectively. Information about the Board of Directors' members and the CEO are given in the following table and their detailed resumes are accessible at the Bank's website and annual reports.

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Hakkı Ersin Özince	Board Chairman	Middle East Technical University, Economics and Administrative Sciences / Business Administration	44 years	4 May 2017	-	-
Mahmut Magemizoğlu*	Board Vice Chairman	The University of Stirling/M.A. in Investment Analysis	38 years	5 May 2020	Audit Committee Chairman, Credit Revision Committee Chairman	-
Ece Börü	Board Member and CEO	Istanbul Technical University, Management Engineering	31 years	25 Aug 2020	Credit Revision Committee Member, Sustainability Committee Member	TSKB A.Ş. CEO, Yatırım Finansman Menkul Değerler A.Ş. Board Chairman TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı Board Chairman, TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı Board Chairman
Yavuz Canevi	Board Member	University of Southern California/M.A. In Economics	40 years	9 Apr 2015	-	Türkiye Ekonomi Bankası Board Chairman, FNSS Savunma Sistemleri A.Ş. Board Chairman
Bahattin Özarslantürk	Board Member	Istanbul University/Business Administration	26 years	24 Aug 2020	Credit Revision Committee Member	T. İş Bankası A.Ş. İstanbul Corporate Branch Manager
Mithat Rende	Independent Board Member	London-RCDS/Security and International Relations	32 years	4 Apr 2017	Sustainability Committee Member	-
Zeynep Hansu Uçar	Board Member	Middle East Technical University, Economics and Administrative Sciences / Business Administration	27 years	2 Dec 2015	Corporate Governance Committee Member, Remuneration Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Subsidiaries Department Head, Türkiye Şişe ve Cam Fabrikaları A.Ş. Board Member, Trakya Yatırım Holding A.Ş. Board Chairman, T. İş Bankası Research Institute of Banking and Commercial Law, İşbank AG Board Member

* Members of the Audit Committee were accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

CORPORATE GOVERNANCE

Full Name	Title	Educational Background	Working Experience	Date of Appointment	Committees and Title	Duties out of the Bank
Ozan Uyar	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Business Administration	23 years	5 May 2020	Credit Revision Committee Member, Sustainability Committee Member	T. İş Bankası A.Ş. Project Finance Department Head, İşbank AG Board Member
Abdi Serdar Üstünsalih	Board Member	Selçuk University, MS. Public Administration, Gazi University, MS. Information Technologies	29 Years	25 Jun 2019	-	T. Vakıflar Bankası T.A.O. CEO and Board Member
Gamze Yalçın*	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	27 Years	18.04.2019	Audit Committee Member, Corporate Governance Committee Chairman, Remuneration Committee Chairman	T. İş Bankası A.Ş. Executive Vice President, İşbank AG Board Chairman,
Hüseyin Yalçın	Board Member	Middle East Technical University, Economics and Administrative Sciences/ Economics	42 years	6 Apr 2018	-	-

* Members of the Audit Committee were accepted as Independent Members of the Board of Directors as per the provisions of Capital Market Board's Corporate Governance Communiqué No: II.17.1., Article 6/(3)-a.

**The working principles of the Board of Directors Committees are available on the Bank's website.

Mr. Suat İnce who was TSKB's CEO and Board Member resigned from his posts due to retirement as of 03.04.2020. Ms. Ece Börü who served as the deputy of CEO was appointed as CEO with the Board Resolution numbered 2449 and dated 12.08.2020. She took office as of 25.08.2020.

In place of Board Members Mr. Mehmet Şencan and Mr. Can Yücel who resigned from their posts, it was decided Mr. Mahmut Magemizoğlu and Mr. Ozan Uyar to be appointed as a Board Member within the framework of Article 363 of the Turkish Commercial Code at the Board of Directors Meeting dated 05.05.2020.

In place of Board Member Mr. Ahmet Hakan Ünal who resigned from his post, Mr. Bahattin Özarslantürk has been elected pursuant to the Article 363 of the Turkish Commercial Code at the Board of Directors Meeting dated 14.08.2020.

In regard to the "Policy for Female Participation in the Board of Directors" composed in 2014, assessments have been done by the Board of Directors every year. As of December 31, 2020, there have been three women members in the Board of Directors in line with the Bank's 25% target.

4.2. Operating Principles of the Board of Directors

Board of Directors gathers periodically, at least once a month, or more where the Company's business so dictates. The meeting date is set so as to allow participation of all Board Members, and Board of Directors meetings are held by participation of all members, excluding the exceptional cases under unforeseen circumstances.

In principle, Board Members participate in every meeting. Moreover, Board Members may choose to participate Board Meeting on electronic environment.

The Board's first meeting is preferably held on the same day that the board is elected. At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

A draft of the agenda for a board meeting is prepared by the CEO and finalized in line with the suggestions of the chairman and other directors. The information and documents pertaining to items on the board's agenda are sent out to members to be reviewed at least four days before the meeting. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

There is a secretariat in place for the purpose of notifying and organizing the communications with the Board of Directors. Summoning the Board of Directors meetings are made by means of phone at first, which is followed by written invitation.

Each board member is entitled to a single vote. As stipulated in the Articles of Association, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

The Board of Directors convened 43 times between 1 January 2020 and 31 December 2020. Board members participate in all meetings in principle. In this period, there was not any significant transaction with any affiliated parties that would require approval of General Assembly.

The possible losses resulting from mismanagement of Board of Directors and all Bank managers are under the coverage of insurance policy signed by Türkiye İş Bankası A.Ş. for its group companies.

Information on the Board of Directors Committees is available in the Investor Relations section of the Bank's website under Investor Relations.

4.3. Remuneration Policy

The Bank carries out its activities regarding remuneration policies within the framework of the related banking regulations and Capital Market regulations. TSKB's Remuneration Policy is available on the Bank's corporate website in Investor Relations section. This policy covers all managers and employees.

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them. The amount to be paid as an honorarium is determined in line with the proposals put forward by shareholders at a General Assembly.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the bank.

The total amount of financial benefits paid such as bonus, dividend, wage, etc. to members of Board of Directors and senior management is TL 15.382 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is TL 180.017.

PROFIT DISTRIBUTION PROPOSAL

A. The General Assembly shall be offered to reserve and distribute 2020 Net Profit of TL 732,828,578.31 as follows in accordance with Article 47 of our Articles of Association which is currently in force;

1. in accordance with paragraph (a) of 47th article of our Articles of Association, to the allocation of TL 36,641,428.92 which is 5% of the net profit as legal reserve fund,
2. in accordance with the paragraph (b) of 47th article of our Articles of Association, to the allocation of TL 73,280,776.02 as first dividend,
3. to the allocation of TL 40,000,000 as venture capital fund to be directed to venture investment trusts and funds,
4. Out of the TL 582,906,373.37, the remnant after the reduction of 1-3 articles above, in accordance with the paragraph (d) of 47th article of our Articles of Association,
 - a) to the distribution of gross amount of TL 2,081.81, which is 5% of the aforementioned remainder (to be limited with the part of 200,000 of paid-in capital), to the founder shares to be TL 20.82 to each founder share;
5. in accordance with the paragraph 2/(c) of 519th article of Turkish Trade Code, to the allocation of TL 208.18 as statutory reserve fund,
6. to the allocation of TL 582,904,083.38 the remainder, as extraordinary reserve fund,
7. to the distribution of gross TL 73,280,776.02 in full, which is the first dividend stated in 2nd article above and corresponds to 2.62% of the paid-in capital, is to be distributed to shareholders as cash dividend,
8. to the distribution of cash dividends equivalent to TL 73,280,776.02 starting 29 March 2021, to recommend to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above,

B. To the allocation of TL 954,973.87, which was formerly allocated pursuant to the Article 5-1/(e) of Corporate Tax Law numbered 5520, due to expiration of the time determined by the relevant regulation, as extraordinary reserve fund,

To the submittal of allocation of the impact amounting to TL 303,505,096.16 as a result of the transfer to Turkish Accounting Standard 27 as extraordinary reserve fund to information of the General Assembly,

C. to the submittal of 31.12.2020 balance sheet and profit and loss statement which was approved by the Board of Directors to the General Assembly,

We hereby submit to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

Board of Directors

SUMMARIZED BOARD OF DIRECTORS' REPORT

Summary Board of Directors Report

To our shareholders,

You are all welcome to the 71st Ordinary General Assembly Meeting of our Bank.

We would like to convey our kindest regards to our shareholders, their representatives and guests for honoring the hall and hereby submit to your examination and approval the Board's Annual Report and Independent Audit Report for 2020 accounting period as well as profit and loss statements.

The COVID-19 epidemic, which spread around the world in 2020, has been at the top of the agenda throughout the year with its effects on public health and its reflections on the economy. While the developments and uncertainties regarding the epidemic have significantly weakened the growth outlook of the world economy, the negative effects of the pandemic have been tried to be mitigated by global incentives and expansionary monetary and fiscal policies. Accordingly, it is expected that the current liquidity conditions and low interest environment in the world will continue for a while.

Turkey's economy made a strong start to 2020. However, our country has lost momentum in line with global trends with the outbreak of the pandemic. Despite the rapid recovery in the economy in the third quarter with the monetary and fiscal measures taken, the increasing number of cases and restraint measures towards the last quarter of the year keep the risks on the outlook alive. The vaccination process and its results, which will determine the course of the economy in the next period, are closely monitored. Expectations point to a slightly positive growth in 2020 and a moderate recovery in 2021.

The leading role of the banking sector in 2020 Turkey's economy has become even more critical. With the temporary measures taken by the BRSA, the effects of the epidemic on the banking sector have been reduced, and the banks have continued to provide increasing support to all their corporate and individual customers. As of the end of 2020, the asset size of the sector reached 6.1 trillion TL with an increase of 36%, and the total equity increased by 22% to 599 billion TL. Loans of the sector increased by 35% to TL 3.6 trillion. In the face of increasing risks, within the framework of the cautious approach of banks, there was an annual increase of 30% in provision expenses, despite these conditions, the net profit of the sector increased by 22% in the same period.

TSKB maintained a robust and resilient balance sheet and capital structure. As of December 31, 2020, on a year-on-year basis, the Bank elevated:

- its total assets by 24% to reach TL 51,5 billion,
- its shareholders' equity by 18% to reach TL 6,1 billion.
- its loans by 24,5% to reach TL 39,1 billion.

Increasing its banking income by 30% on an annual basis, our Bank's net profit for the year 2020 was 732.8 million TL. As of the end of the year, the capital adequacy ratio calculated excluding the temporary measures of the BRSA was realized as 16.6%, 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
BOARD OF DIRECTORS

OTHER MAJOR UPDATES ON CORPORATE OPERATIONS

Disclosures on Private Audit and Public Audit During the Accounting Period

During the current accounting period, a private audit has not been conducted at the Bank as per Articles 207, 438 and 439 of the Turkish Commercial Code. The Bank is subject to public audit by public institutions such as the BRSA, CBRT, CMB and the Competition Authority. If any matters requiring a public disclosure arise in relation to the audits conducted at the Bank by public institutions, they are publicly shared through material disclosures.

Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Violating Legislative Provisions

Information on court proceedings is provided in the annual report and in section III/4 of part five of the non-consolidated audit report.

Related Party Transactions

Information on the Bank's related party transactions are provided in the footnotes for the Audit Report. The conclusion of the Subsidiaries Report for 2020 drafted pursuant to Article 199 of the Turkish Commercial Code No. 6102 is provided below:

"Between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto, there are no legal procedures completed under the instructions of our controlling shareholder to the benefit of the latter or of a company affiliated thereto and no measures taken or avoided to the benefit of our controlling shareholder or a company affiliated thereto.

Furthermore, the commercial transactions, which are concluded between our Bank and Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto and are provided in the report in detail, are transactions required by our Bank's operations and are completed over the equal values applicable in the market. They are compliant with the principle prescribed in Article 202 of the Turkish Commercial Code No. 6102 that the controlling shareholder cannot exercise its control in a way to inflict loss on its subsidiaries.

There are no decisions against or transactions inflicting loss on our Bank under the instructions of Türkiye İş Bankası A.Ş., our controlling shareholder, and the companies affiliated thereto."

Information on Operational Fields for which Support Services are Outsourced Pursuant to the Regulation on Outsourcing of Support Services by Banks and Information on the Persons and Organizations Supplying Such Services

The following services the Bank used in 2019 fall into the scope of the Regulation on Outsourcing of Support Services by Banks promulgated on November 5, 2011.

1. Server Hosting for Emergency Services provided by Superonline İletişim Hizmetleri A.Ş.
2. Riskfree Treasury Valuation System Service provided by Risk Aktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti.
3. Swift Service Office Main Connection Service provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.
4. Internal Rating Model and Assets-Liabilities Management Infrastructure and Maintenance Service provided by Prometeia SPA
5. EFT Software Maintenance Service provided by 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.

Amendments in the Articles of Association During the Year

There have been no amendments in the Bank's Articles of Association during 2020.

RISK MANAGEMENT POLICIES

Information On Risk Policies Based On Risk Types

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles.

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the Bank. Its duties, responsibilities and structure have been established by the Regulation of Risk Management Department.

Credit Risk Management Policy

Credit risk is the possibility that the credit client or a counterparty of an agreement being unable to fulfill the obligations pursuant to the conditions of the agreement. Whilst the most common and apparent source of credit risk is the loans granted by the Bank, other banking services carrying counterparty risk also carry credit risk. In this regard, all related banking activities are evaluated within the scope of credit risk.

Credit risk is measured and managed by taking into account the structure and characteristics of the credit, the terms and conditions of the credit agreement and financial conditions, the structure of the risk profile until the end of the maturity in parallel with possible market movements, guarantees and collaterals, internal risk ratings, possible changes in ratings during the risk exposure period, concentrations (one single company, group of affiliated companies, sector, country, etc.) and compliance with limits established by the Board of Directors to prevent such concentrations.

In measuring credit risk, the Internal Rating Based Model is used for the purposes of monitoring and controlling the credit risk and providing early warning.

Maximum effort is taken to ensure that limits and policies in agreements with foreign and domestic sources do not diverge to a significant degree from the policies and limits set by the Bank. Despite the clauses in the agreements deviate from the existing policies, they are still accepted to be in force.

Asset-Liability Management Risk Policies

All financial risks arising from the Bank's assets and liabilities other than credit risk are defined as asset-liability management risks. The market risk of the trading portfolio, structural interest rate risk and liquidity risk fall into this category.

I - Market Risk Management Policy

Market risk is the possibility of portfolio or position loss in the scope of trading portfolio resulting from fluctuations in interest rates, stock prices, commodity prices or exchange rates on the financial markets. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Market risk is managed by using consistent risk measurement and criteria such as fluctuation level of interest and/or prices and Value at Risk calculations, establishing appropriate procedures regarding the performance of control and observing compliance with the identified risk limits.

Interest rate risk, exchange rate risk, stock and commodity price risk and exchange risks constitute the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is evaluated and monitored carefully.

RISK MANAGEMENT POLICIES

In calculating market risk, the Bank uses two major approaches, namely BRSA Standard Method and Value at Risk (VaR). Accuracy of the VaR model is ensured by back testing which is the comparison between the calculated Value at Risk and realized losses. In addition; stress tests are applied in order to determine the impacts of events, with low possibility of realization but substantial losses, on Value at Risk.

II -Structural Interest Rate Risk Management Policy

Structural interest rate risk is the risk of change in the Bank's capital due to possible changes in interest rates through differences in the repricing period and the interest structures of interest-sensitive assets and liabilities monitored in banking book.

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on currency basis and at determined maturity intervals taking into account their re-pricing.

TSKB manages interest risk by acknowledging that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

III - Liquidity Risk Management Policy

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus incurs a loss.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the Bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, the portfolio structure is formed in line with the functions of revenue generating from the portfolio and management of the market risk. Risk return balance is constantly monitored whereas the liquidity needs are followed up at all times.

Operational Risk Policy

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethical standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of Daily operations. It is essential that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

Risk Management Policy For Subsidiaries

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

Policies Regarding Other Risks

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill-timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the clients and markets. These risks are mentioned in the Bank's Risk Policies in order to increase the awareness throughout the Bank.

STRUCTURE OF THE AUDIT COMMITTEE

Activities Of The Committees Established Within The Scope Of Risk Management, And Names And Surnames Of The Chairmen And

Members Of These Committees Audit Committee

Audit Committee is composed of 2 members, which were elected among the non-executive Members of the Board of Directors. Currently, Audit Committee members are Mr. Mahmut Magemizoğlu and Ms. Gamze Yalçın.

Audit Committee is responsible for;

- Ensuring the effectiveness and adequacy of the internal audit, internal control and risk management systems within the framework of the relevant legislation, on behalf of the Board of Directors,
- Supervising the functioning of the Internal systems, accounting and reporting systems within the framework of the Law and relevant regulations, and maintaining the integrity of the information produced,
- Making pre-assessment for the Board of Directors to choose independent audit corporations, and corporations that provide rating, valuation and support services, and regularly monitoring the activities of these corporations that sign contract with the Bank after they are chosen by the Board of Directors,
- Continuing and enabling the coordination of the Internal audit activities of the subsidiaries subject to consolidation in a consolidated manner,
- Regularly receiving reports from the units established within the scope of Internal systems, and from the independent audit corporations with respect to their execution of the tasks and reporting the detected malfunctions to the Board of Directors.

All members of the Audit Committee attended 49 meetings held by the Audit Committee in 2020.

DIRECTORS WITHIN THE SCOPE OF INTERNAL SYSTEMS

Head of Internal Auditors: Mehmet Sungun			
Term of Office	Professional Experience	Worked Previously In	Education
7 Years	27 Years	Financial Analysis, Loans, Corporate Banking, Risk Management Departments	Master's Degree in Turkey
Head of Risk Management: Fuat Sönmez			
Term of Office	Professional Experience	Worked Previously In	Education
4,5 Years	22 Years	System Development and Quality Management, Board of Internal Auditors, Process Management, Internal Control Departments	Bachelor's Degree in Turkey
Head of Internal Control: Simay Kimyacı			
Term of Office	Professional Experience	Worked Previously In	Education
4 Years	22 Years	Treasury Department	Bachelor's Degree in Turkey

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE'S ASSESSMENT ON FUNCTIONING OF INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AND THEIR ACTIVITIES IN 2020

Audit Committee held 49 meetings in 2020. In these meetings, the Audit Committee carried out activities to fulfill the duties and responsibilities specified within the scope of "Activities of the Committees established within the scope of Risk Management, and Names and Surnames of the Chairmen and Members of these Committees" Section of the Annual Report, and the "Regulation On The Evaluation Process of Banks' Internal Systems and Internal Capital Adequacy".

Internal audit, internal control and risk management activities in the Bank are carried out by the Board of Internal Auditors, Internal Control Department, and the Risk Management Department. Relevant departments' duties and responsibilities were specified by the regulations approved by the Board of Directors. All three departments carry out their activities under the Audit Committee, which was established to support the Board for executing its audit and oversight duties independently. Evaluating the internal systems established to cover all branches and units, and subsidiaries subject to consolidated audit, their functioning, and maintaining their adequacy and effectiveness are among the Board of Directors' priorities. Within the scope of internal systems, Board of Directors' duties and responsibilities are fulfilled by the Board of Directors, Audit Committee and Departments of Internal Audit, Internal Control and Risk Management.

Board of Internal Auditors

Board of Internal Auditors provides assurance in; i) carrying out bank activities in line with the Law and other relevant legislation as well as the internal strategies, policies, principles and targets of the bank, and ii) effectiveness and adequacy of the internal control and risk management systems. Planning and carrying out its audit activities with risk oriented approach, the Audit Board evaluates the potential risks in Headquarters units, one branch, subsidiaries and Bank's information systems and processes, and evaluates whether or not internal control, risk management and corporate governance systems are compliant, effective and efficient as well as examining the accuracy and reliability of accounting records and financial reports.

Board of Internal Auditors does not only deliver findings as a result of the audits it conducts. It also develops opinions and suggestions that will prevent deficiencies, faults and misconducts (if any) from repeating, develop processes, increase efficiency and effectiveness and strengthen internal systems. Furthermore, it follows up the findings and related measures taken closely as well as providing information about the developments with respect to the issues tracked in the Audit Committee meetings held during the year.

In 2020, Board of Auditors conducted 40 audits in terms of banking processes and information systems in total composed of Head Office departments, Bank's 1 subsidiary as well as 6 firms from which the Bank procured banking processes and support services.

As a result of the audits and assessments made in 2020, there have not been any material finding identified, that may have negative impact on the Bank's activities, and hinder the Bank from fulfilling its liabilities.

AUDIT COMMITTEE REPORT

Internal Control

TSKB Internal Control System, which covers the Head Office units, as well as branches, the Bank subsidiaries which are consolidated and all Bank activities, has been structured to constantly ensure all determined financial and operational risks emanating from Bank's operations to be at an acceptable level and under control.

The sufficiency and efficiency of the Internal Control System steadily evaluated in the coordination of the Internal Control Department which ensure uninterrupted monitoring of the Bank personnel and relevant improvement efforts are put into practice.

During 2020, Internal Control Department worked on projects focused on measuring individual and interrelated operational risks, developing a strong corporate culture which comprises a risk approach in light of BRSA's Operational Risk Guideline and establishing structures that support the improvement of current internal control environment. With these efforts, "Three Lines of Defense" has been developed which is an effective way of managing risks and controlling operations to support the effectiveness and optimization of governance, risk and internal control systems. In this way, establishing the strong pillars of reassurance among Bank's stakeholders, authorities, Bank employees and Board of Directors with respect to the competency and efficiency of the internal control system is targeted.

The findings, comments and opinions withdrawn as a result of internal control activities held by the Internal Control Department are primarily shared and discussed with the persons executing the relevant operations. In this way, with the required complementary and pre-emptive measures taken rapidly, the most appropriate and applicable solutions which improve operations are delivered and put into practice.

The Audit Committee of the Bank periodically evaluates the efficiency of the internal control system and internal control operation results via activity reports prepared by the Internal Control Department.

Risk Management

The risk management process, which is organized under risk management regulations and serves for the establishment of a companywide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities. Risk Management Department; i) carries out these activities developing the systems needed within this scope, ii) monitors risks' compliance with policies and standards, and Bank limits, iii) continues the activities for compliance with the relevant legal legislation and the Basel criteria. Risk measurements specified in reporting, are made with an approach developed in internal models besides the standard approach used in legal reporting, while they are also supported with the stress tests.

Risk Management Department submits its detailed unconsolidated risk management reports prepared on monthly basis and consolidated risk management reports on quarterly basis to the Board of Directors via the Audit Committee. In 2020, in addition to the reports presented to the Board of Directors; risk and capital adequacy measuring and reporting activities for legal and MIS purposes continued. Besides, activities of the Internal Capital Adequacy Assessment Process (ICAAP) and its reporting process were coordinated. Within this scope, detailed stress tests and scenario analysis were conducted, and projections were made for future period's capital requirement.

Other than routine operations in 2020; there were also efforts spent on improvement of infrastructure and automation of reporting/analysis processes. The department also focused on internal policies and regulations to be in compliance with the BRSA Guidelines. The Audit Committee continued to report to Board of Directors regarding the operational results, necessary measures, practices and its comments on other critical issues that ensure the Bank's operations to continue reliably.

The Audit Committee monitored the compliance of the Bank to regulations pertaining to internal control, internal audit and risk management and to Bank policies and practices which are approved by the Board. As a result of the Audit Committee's evaluations and reviews, it was seen that the Bank's internal systems were effectively functioning as they were planned, and that the internal controls made for financial reporting were effective. The Audit Committee evaluated the support services that the Bank procured, and monitored the efforts of taking certain measures for managing the risks efficiently in the procurement process. Moreover; independent audit results, yearly and quarterly financial results as well as independent audit reports were assessed with the independent auditors. During their operations related to the Bank; the independency of the rating agencies', independent auditors' and appraisal companies' and the sufficiency of the resources allocated to them were reviewed.

With respect to the 2020 activities and functioning of internal systems which comprise internal audit, internal control and risk management, we believe that the activities performed were highly qualified and satisfactory.



Mahmut Magemizoğlu
Audit Committee Chairman



Gamze Yalçın
Audit Committee Member

4


ASSURANCE LETTERS AND CERTIFICATES



Women's empowerment is essential for long-term welfare!

G20 leaders target to reduce the difference between men and women's participation in the workforce by 25%. According to ILO's report, delivering the 25 by 25 target of G20 leaders would bring 5,8 billion USD support to global economy. Turkey ranked 130th out of 153 countries in the World Economic Forum's Global Gender Gap. Index 2020.

For more details:

 https://www.tskb.com.tr/i/assets/document/pdf/womens_skills_march2020.pdf



INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS



Güney Bağımsız Denetim ve ŞMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

1) Qualified Opinion

We have audited the annual report of Türkiye Sınai Kalkınma Bankası A.Ş. (the “Bank”) and its subsidiaries (collectively referred as the “Group”) for the period of 1 January 2020 – 31 December 2020. In our opinion, except for the matter disclosed in the Basis for Qualified Opinion Paragraph, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Qualified Opinion

As we have expressed a qualified opinion in our auditor's reports dated 1 February 2021, the consolidated financial statements of the Group as at 31 December 2020 include a free provision at an amount of TL 220.000 thousand, which was provided in prior years by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements TAS 37, the “Prior Years' Profit/Loss” as of 31 December 2020 is understated by TL 220.000 thousand.

We conducted our audit in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed a qualified opinion in our auditor's reports dated 1 February 2021 on the full set consolidated and unconsolidated financial statements of the Group and the Bank, respectively, for the period of 1 January 2020 - 31 December 2020.

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, A member firm of Ernst & Young Global Limited
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation, and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of the annual reports of Banks' published in official gazette no.26333 dated November 1, 2006, "Regulation on Accounting Applications for Banks Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.



2 March 2021
İstanbul, Türkiye

INDEPENDENT ASSURANCE STATEMENT FOR INTEGRATED ANNUAL 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. ("TSKB" or the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the Bank's Integrated Annual Report ("the 2020 Integrated Annual Report") for the year ended 31 December 2020 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2020, which is subject to our independent limited assurance work, set out on 9, 49, 74, 76, 77, 92, 93, 96 and 112 pages of the 2020 Integrated Annual Report and marked with ✓ is summarised below:

- Share of sustainability themed loans in loan portfolio as at end of 2020 (%)
- Ratio of women in management (%)
- Ratio of women on the Board of Directors (%)
- Ratio of women among total employees (%)
- Gender pay gap
- Average training hours per employee
- Participation rate in employee satisfaction survey (%)
- Rate of satisfaction regarding measures taken by the Bank within the scope of Covid-19, according to the employee satisfaction survey (%)
- Average remote working ratio for 2020 (%)
- TSKB Economic Research publications and blog posts (number)
- TSKB's Sustainability Organization
 - Number of meetings took place by Sustainability Committee/Subcommittee
 - Ratio of employees included in Sustainability Subcommittee Working Groups
- Internal environmental impacts of the Bank's activities
 - Electricity consumption in the Headquarters (kwh)
 - Natural gas consumption in the Headquarters (m³)
 - Water consumption in the Headquarters (m³)
 - Paper consumption in the Headquarters (kg)
 - Electricity density (Consumption in kWh/m²)
 - Water density (Consumption in m³ / employee)
 - Recycled glass plastic and paper waste (kg)
- Number of renewable energy projects financed as at end of 2020
- Total installed capacity of funded renewable energy projects as at end of 2020 (MW)
- TSKB's share in Turkey's renewable energy capacity as at end of 2020 (%)
- Contribution to reduction of CO₂ emissions (tonnes CO₂/year)
- Loan amount support women's employment and the economy in refugee-impacted areas in 2019 and 2020 (USD)

Our independent limited assurance work was with respect to the year ended 31 December 2020 information only and we have not performed any procedures with respect to earlier periods or any other elements, other than Selected Information marked with ✓, included in the 2020 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 Türkiye Sınai Kalkınma Bankası 2020 Integrated Report - Reporting Guidance' (the 'Reporting Guidance') on page 148-153 of the 2020 Integrated Annual Report.

The Bank's Responsibility

The Bank is responsible for the content of the 2020 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw to evaluate and measure 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 Guidance.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT ASSURANCE STATEMENT FOR INTEGRATED ANNUAL REPORT



Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- making inquiries of the persons responsible and the Bank's management for the Selected Information;
- understanding the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluating the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- performing limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank; and
- undertaking analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Türkiye Sınai Kalkınma Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. as a body and the 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.



Ediz Günsel, SMMM
Partner

Istanbul, 2 March 2021


INDEPENDENT ASSURANCE STATEMENT FOR UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX




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. ("TSKB" or the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the High-level summary of bank's response section of UNEP-FI Reporting and Self Assessment Template which is set out on 533-546 pages of the Bank's 2020 Integrated Annual Report ("the 2020 Integrated Annual Report") and listed below.

Selected Information in the scope of United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank's response

The scope of the Selected Information, which is subject to our independent limited assurance work, reported in the UNEP-FI Reporting and Self Assessment Template – High-level summary of bank's response which is set out on 533-546 pages of the 2020 Integrated Annual Report and marked with  is listed below:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking

Our independent limited assurance work was with respect to the year ended 31 December 2020 information only and we have not performed any procedures with respect to earlier periods or any other elements, other than Selected Information marked with , therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Bank to prepare the Selected Information is indicated in the United Nations Principles for Responsible Banking Reporting Template – Preparation Principles which is set out in the Reporting Guidance on 152-153 pages of the 2020 Integrated Annual Report.

The Bank's Responsibility

The Bank is responsible for the content of the United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank's response section and the preparation of the Selected Information in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation 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 United Nations Principles for Responsible Banking Reporting Index – Preparation Principles.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the United Nations Principles for Responsible Banking Reporting Index – Preparation 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 behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000" Revised), issued by the International Auditing and Assurance Standards Board.


A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. 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 with the persons responsible and the Bank's management 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-performing 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.

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 which is reported in the United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank's response section  for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles.

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 Bank's performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. as a body and the 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.



Ediz Günsel, SMMM
Partner

Istanbul, 2 March 2021

REPORTING GUIDANCE

Türkiye Sınai Kalkınma Bankası 2020 Integrated Annual Report – Reporting Guidance

This reporting guidance provides information on the data preparation and reporting methodologies of indicators within the scope of the independent audit in the 2020 Türkiye Sınai Kalkınma Bankası ("Bank") Integrated Annual Report. These indicators include the percentage of women employees, gender ratio of management, gender ratio of Board of Directors, pay rate of female and male employees, average hours of training per year per employee, participation rate for employee satisfaction survey, satisfaction rate of measures taken by the bank against COVID-19, average ratio of remote-work, Sustainable loan portfolio ratio (%), TSKB Economic Research Report and Blog posts, Sustainability structure of the Bank (Committee, Sub-Committee, Working Groups), internal environmental impact of the Bank (electricity, natural gas, water and paper consumption, electricity and water intensity, recycled waste amount), total installed capacity funded from renewable energy portfolio, share of this installed capacity in Turkey's renewable energy capacity and contribution to CO₂ emission reduction, and the amount of funding provided to support women's employment and the economy in regions affected by refugees.

It is the responsibility of the Bank's management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance.

The data included in this guideline is for the FY 20 (1 January – 31 December 2020), fiscal year ended December 31, 2020, comprises only the relevant operations that are the responsibility of the Bank and excludes information about group companies.

General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Key Definitions

For the purpose of this report, the Bank defines:

Capital	Indicator	Scope
Human	Ratio of women among total employees (%)	This indicator only means the gender distribution of total employees of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Ratio of women in management (%)	This indicator only means the gender distribution of total Management level employees (Chief Executive Officer, Executive Vice President, Department Head, Senior Manager, Junior Manager) of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Ratio of women on the Board of Directors (%)	This indicator only means the gender distribution of Board of Directors of the Bank (excluding subsidiaries and group companies) and the breakdown by gender during the reporting period.
Human	Gender pay gap (%)	This indicator means the ratio of median values within the scope of the gross wages of its female and male employees during the reporting period.
Human	Average hours of training per year per employee	This indicator only means the total number of training hours provided to its Banking Operations employees (excluding the administrative staff) during the year divided by the average number of employees during the reporting period.
Human	Participation rate for employee satisfaction survey (%)	This indicator only means the ratio of the total number of employees who responded to the survey made by Institute of Behavioral Sciences divided by the total number of employees shared the survey with during the reporting period.

Human	Rate of satisfaction regarding measures taken by the Bank within the scope of Covid-19, according to the employee satisfaction survey (%)	This indicator only means the ratio of employee reached in the "Process Management in Pandemic Survey" conducted by the Behavioral Sciences Institute during the reporting period. For use in the integrated annual report, satisfaction rate over 5 were turned over 100.
Human	Average remote working ratio for 2020 (%)	It means the rate obtained by subtracting the number of employees who enter the Bank Card Pass System (CPS) between March 2020 and December 2020 by dividing the number of employees first to the working day and then to 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. In cases where multiple entries are made to the Bank with the CPS system during the day, the entries with the same registration number are counted once in order to avoid duplicate data.
Intellectual	TSKB Economic Research publications and Blog posts	It means that TSKB Agenda, TSKB Weekly Agenda, Macro View, Energy Budget, On Climate, Price Fixing Reports on Assessment Reports, TSKB Outlook, New Month Reports are published by TSKB Economic Research Unit on their websites: https://www.tskb.com.tr/tr/yatirim-bankaciligi/ekonomik-arastirmalar & https://www.tskb.com.tr/blog prepared as Turkish and English reports during the reporting period.
Natural	Share of sustainability themed loans in loan portfolio (%)	This indicator means the percentage (%) by financial value (in USD) of the Bank's sustainability-themed loans (excluding loans to financial sector) compared to the Bank's total loan portfolio as at the end of 2020. This percentage was obtained by excluding the loans extended to the financial sector while including APEX loans in the Bank's total loan portfolio. Sustainable themed loans are listed under 3 main headings:
		APEX Loans: The Bank defines APEX loans as the loans provided only to SMEs and exporters through other financial institutions including leasing companies, commercial banks and participation banks
		<p>Themed loans</p> <p>Titles under sustainable loans are:</p> <ul style="list-style-type: none"> • Energy Generation (excluding thermic power plants) • Energy and Resource Efficiency • Environment • Sustainable Tourism • Electricity and Gas Distribution (not the whole loan but the infrastructure loans within the sub-sector) • Education & Health • Small & Medium Enterprises • Women Employment • Occupational Health and Safety • Export loans • Innovation <p>Loans provided to Companies Contributing to the Economy through Exports:</p> <p>The Turkish private sector export ratio average was 18,3% in 2020. This means that 18.3% of the goods and services produced in the country are exported. As a development bank, TSKB considers exports as an important indicator for sustainable development of the economy and considers loans provided to companies with export ratios than 20% (calculated as ratio of foreign sales to total net sales) amongst sustainable-themed loans.</p>

REPORTING GUIDANCE

	Internal Impacts (excluding affiliates)	This indicator only means the environmental impacts of the Bank's activities from its head-office buildings during the reporting period.
	Electricity consumption (kWh)	This indicator means the total electricity consumption includes electricity used for heating and other business operations that require electricity during the reporting period.
	Natural gas consumption (m3)	This indicator means the total natural gas (NG) consumption includes NG used for heating, cooking and other business operations that require natural gas during the reporting period.
Natural	Water consumption (m3)	This indicator means the total municipal water consumption during the reporting period.
	Paper consumption (kg)	This indicator means the total paper and cardboard consumption during the reporting period.
	Electricity density (Consumption in kWh/m2)	This indicator means the total electricity usage (in kWh) divided by the floor area (in m2) occupied by the Bank during the reporting period
	Water density (Consumption in m3 / employee)	This indicator means the total water consumption (in m3) divided by the average number of Bank employees during the reporting period. The average number of employees is calculated based on the number of employees at the end of June and December.
	Recycled glass plastic and paper waste (kg)	This indicator means the weight of recycled waste of glass, plastic and paper during the reporting period.
Natural	Number of renewable energy projects financed	This indicator means the total number of renewable energy projects partially or totally financed by the Bank according to the types as at the reporting period end.
Natural	Total installed capacity of funded renewable energy projects (MW)	This indicator means the total installed renewable energy capacity, in MW, partially or totally financed by the Bank as at the reporting period end.
Natural	TSKB's share in Turkey's renewable energy capacity (%)	This indicator means the total renewable energy capacity, in MW, financed by the Bank compared against Turkey's total installed renewable energy capacity as at the reporting period end.
Natural	Contribution to reduction of CO2 emissions (tonnes CO2/ year)	This indicator means the estimated total CO ₂ emissions reduction from the renewable energy projects financed by the Bank as at the reporting period end.
Natural	TSKB's Sustainability Organization (Committee, Sub-Committee, Working Groups)	It means the number of meetings of the Sustainability Committee / Subcommittee held and the ratio of employees in the Sustainability Working Groups during the reporting period. (Sustainability working groups employee rate in the Sustainability Subcommittee means the ratio of Employees in Sustainability Working Groups to the total employee rate.)
Social	Loan amount support women's employment and the economy in refugee-impacted areas	It means the financial value of the loans in US Dollars that the Bank provides directly or through APEX Banking between January 1, 2019 - December 31, 2020, in order to support women's employment and the economy in the regions affected by refugees. The sources of the loans provided in this context are the credit agreements made by the French Development Bank (AfD), the World Bank and the EBRD.

4. Data Preparation

Electricity, Natural Gas and Water Consumption

Within the scope of the calculations, only the Bank's own buildings are included, and consumption related to subsidiaries or group companies are not included. While calculating these values, to decontaminate the calculation, the average number of employees, based on the number of employees at the end of June and December, and the average m2 information are used.

Natural gas and water consumption data are obtained from supplier meters, service provider invoices and daily measurement counters of the Bank. Since these consumptions are reported on the type of supply unit, no conversion factor is used.

Electricity and water intensity data are obtained from the ratio of annual consumption to the number of employees obtained by averaging the Bank's employee figures at the end of June and December.

Total number of renewable energy projects

While calculating this indicator, the renewable energy portfolio from which the Bank provided loans was used. In this context, the financing provided for the Hydroelectric Power Plant (HPP), Wind Power Plant (WPP), Biomass Power Plant (BPP), Waste Power Plant and Solar Energy Plant (WPP - SEP Hybrid) projects included in the scope of renewable energy and the number of power plants established on the basis of these projects.

Total installed capacity funded from renewable energy portfolio

This indicator is calculated by assessing the renewable energy portfolio of the Bank. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

Share of TSKB's installed capacity in Turkey's renewable energy capacity

This indicator is calculated by assessing the renewable energy portfolio of the Bank and the total capacity of renewable energy projects in Turkey. The related information on Turkey was achieved through the year end (December 2020) installed capacity report of Turkish Electricity Transmission corporation (TEİAŞ) on this website <https://www.teias.gov.tr/tr-TR/kurulu-guc-raporlari>. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

Contribution of renewable energy portfolio to CO₂ emission reduction

CO₂ emission reduction is calculating by using the emission coefficient calculated by the Bank's own methodology. Banka'nın kendi metodolojisi ile hesaplanan emisyon katsayısı yardımıyla hesaplamaktadır. The assumptions for calculating the reduction for each renewable energy efficiency ratio were based on using the Turkey sector average of the last three years of the different renewable energy sources. In this context, the total installed renewable energy capacity of Hydroelectric Power Plant (HPP), Geothermal Power Plant (GPP), Biomass Power Plant (BPP), Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects, partially or totally financed by the Bank, was used for calculation and for partially financed projects, the Bank's financing ratio for the project was not taken into consideration.

REPORTING GUIDANCE

5.UNEP-FI Principles for Responsible Banking Reporting Template – Preparation Principles

Reporting and Self-Assessment Requirements

2.1 Impact Analysis:

Show that the Bank has identified the areas in which it has its most significant positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The Bank's core business areas, products/services across the main geographies that the Bank operates in have been considered in the scope of the analysis as described under 1.1.
- b) Scale of Exposure: In identifying its areas of most significant impact, the Bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies
- c) Context and Relevance: The Bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the Bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the Bank's activities and provision of products and services. (The Bank should have engaged with relevant stakeholders to help inform the analysis under elements c) and d))

Show that building on this analysis, the Bank has:

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

Preparation Principles

As part of the operational impacts, the Bank takes into account the relevant environmental impacts arising from the Bank's operations in the Head Office building. In this context, 12-month electricity, natural gas and water consumption data are calculated from the daily meters of the Bank and invoices of the service providers.

For its impact analysis, the Bank used the Portfolio Impact Analysis Tool (Impact Analysis Tool) developed jointly by the Positive Impact Initiative, signatories of the Principles for Responsible Banking, and the United Nations Environment Programme Finance Initiative (UNEP FI). Only the loans portfolio (corporate & project finance loans) as of December 31, 2020 under Corporate Banking activities in Turkey were included in the Impact Analysis Tool evaluation. Although the Bank has investment banking and consultancy services, it is not included in the Impact Analysis Tool.

Within the scope of the Impact Analysis Tool evaluation, the Bank cartography related to **Corporate Banking** activities was created through sectoral breakdown of loan volumes. These loan volumes have been determined within the framework of the Bank's loan portfolio as of December 31, 2020, according to cash loans and related risks. The bank labels loans on a sector basis in its own accounting system. To detail this sectoral breakdown within the scope of the Impact Analysis Tool evaluation, studies have been conducted according to the sector classification lists, respectively, the NACE ("Nomenclature des Activités Économiques dans la Communauté Européenne) codes, which means the Statistical classification of economic activities in the European Union, and the UN International Standard Industrial Classification of All Economic Activities (ISIC).

In this context, fifteen sectors (Hydroelectric power generation and distribution, solar (on-shore) energy generation and distribution, wind power generation and distribution, geothermal and energy production and distribution, biomass and energy production and distribution, electricity generation and distribution, finance, tourism, food, textile, non-residential real estate, health and education, metal production, logistics, wholesale and retail trade) representing 83% of the Bank's total corporate loan portfolio are included in the analysis within the framework of Corporate Banking.

The Impact Analysis Tool incorporates the "Country Need Scores" released by UNEP-FI. Through these scores, UNEP FI has measured Turkey's need in specific impact areas in environmental, social and economic terms (Accessibility and quality of Water, Food, Housing, Health and Sanitation, Education, Employment, Energy, Mobility, Communication (&Information), Culture and Heritage, Integrity & Security of Person, Justice, Strong Institutions, Peace and Stability; quality (physical and chemical properties) and efficient use of Water, Air, Soil, Biodiversity and Ecosystems, Resources Efficiency/ Security, Climate, Waste; economic value creation for the society through Inclusive and Healthy Economy and Economic Convergence). The Bank has directly used this analysis when taking into account sustainable development needs of Turkey.

In the Impact Analysis Tool, there are priority rankings from 1 to determined by the UNEP-FI secretariat. While ranking the country needs and the Bank's positive or negative impact areas, 1 stands for low level of need / impact, 2 means medium need / impact, 3 means high need / impact and lastly 4 means very high need / impact.

In line with the data entered in the Impact Analysis Tool within the scope of Corporate Banking, 13 potential domains of the Bank were defined. 3 positive and 1 negative, 4 domains in total were selected by the Bank

2.2. Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Based on the results of the Impact Analysis Tool, the Bank announced targets on 3 domains, 2 positive and 1 negative. All of the targets announced within the scope of UNEP FI Responsible Banking (except for 5 and other targets and commitments specified in the 2020 Integrated Annual Report for capital items for the upcoming period) have certain time intervals.

Other objectives and commitments declared within the scope of UNEP FI Responsible Banking and included in the 2020 Integrated Annual Report (determined by TSKB for capital items for the upcoming period, are approved by the Bank Executive Committee.

2.3. Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

5.3 Governance Structure for Implementation of the Principles

Show that the Bank has a governance structure in place for the implementation of the PRB, including:

- Target-setting and actions to achieve targets set
- Remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected

6.1 Progress on Implementing the Principles for Responsible Banking

Show that the Bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that the Bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that the Bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

With the decision of the Executive Committee dated March 31, 2020, the “Relations with International Initiatives on Sustainability” Working Group has been established and the task definition of the working group includes creating and following the commitments and targets required within the scope of the international initiatives that the Bank is a signatory / member of.

With the decision of the Executive Committee dated March 31, 2020, The Working Group on “Relations with International Initiatives on Sustainability” has been established. The task definition of the working group includes the purpose of determining the resource needs for the studies to be carried out with international and supranational financial institutions and international initiatives (IDFC, UNEP FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI vb.) which the Bank cooperates within the scope of sustainability and to organize the studies and to carry out their activities.

The Bank’s activities in relation to national and international initiatives and good practices associated with sustainability are as follows:

- The sustainability reports published by the Bank since 2009 and Integrated Activity Reports since 2018 are available on the website <https://www.tskb.com.tr/tr/surdurulebilir-bankacilik/tskb-de-surdurulebilirlik/surdurulebilirlik-raporlari>
- The Carbon Disclosure Project (CDP) reports prepared by the Bank since 2013 can be accessed on <https://www.cdp.net/en/scores> by entering the name T.SINAI KALKINMA BANKASI A.Ş.



6. Restatements

The measuring and reporting of sustainability-related data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.

ISO 14001 CERTIFICATE



ISO 14064 CERTIFICATES

Carbon Footprint Verification
Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:

TSKB Türkiye Sınai Kalkınma Bankası A.Ş.
Mecidiyeköy Cad. 81 Fındıklı 34427 İstanbul

Holds Statement No: GHGEV 588323


EMISSIONS DETAILS	
Reporting Year(s):	31/03/2020-31/12/2020
Date of Emissions Report:	03.02.2021
Scope 1 Emissions in tCO ₂ e	n/a
Scope 2 Emissions in tCO ₂ e	n/a
Scope 3 Emissions in tCO ₂ e	139
Total Reported Emissions in tCO ₂ e	139



FACILITY VERIFICATION DETAILS	
Proportion of facilities inspected during the verification?	100%

OPINION - verified: BSI Group Eurasia Certification Services Inc has conducted a verification of the greenhouse gas data reported by TSKB Türkiye Sınai Kalkınma Bankası A.Ş. in its Emissions Report dated 03 February 2021 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fairly stated.

OPINION - verified with comments: As a result of verification procedures, it is the opinion of BSI with limited assurance that the Greenhouse Gas Emissions for the period from 31/03/2020 to 31/12/2020 is 139 tonnes of CO₂ equivalent (materiality level is 20%). No material misstatements in the selected base year Greenhouse Gas Emissions calculation for TSKB Türkiye Sınai Kalkınma Bankası A.Ş. were revealed. Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2006.

Lead Verifier:	Michael Kurelu
Technical Reviewer:	Furkan Sadıkgözü
Signed on behalf of BSI Group Eurasia Certification Services Inc:	Furkan Çakar
Date of Opinion:	13.02.2021

ANNEX 1 - BASIS OF THE OPINION

Objectives and scope of the verification: To examine the Reporting Company's emissions report for the Greenhouse Gas (GHG) Program identified above, and to confirm compliance with the rules, principles and monitoring requirements of the Program, and to verify that the reported emissions figures and associated information are compliant and accurate to within the agreed Materiality threshold.

Responsibilities: The Reporting Company (named above) is solely responsible for the preparation and reporting of GHG Emission for the purposes of the GHG Program (named above), for any information and assessments that support the reported data, for determining the Company's objectives in relation to GHG information and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

In accordance with the verification contract dated 2021 it is the responsibility of BSI Group Eurasia Certification Services Inc to form an independent opinion, based on the examination of information and data presented in the Emissions Report, and to report that opinion to the Company. We will also report it, in our opinion (see Annex 2).

- any information or assessments relating to the disclosed data are inconsistent with the verification findings; or
- the verification team has not received all the information and explanations that it requires to conduct its examination; or
- we became aware of additional information, the omission of which may result in the reported data being materially misstated or misleading.

Without qualifying our Opinion, we may also report to the Company any opportunities identified for improvement in the robustness of emissions accounting and reporting processes (these are identified in Annex 3).

Work performed & basis of the opinion: We conducted our examination having regard to the reference documents 3-8 outlined below. This involved examining, on a test basis, evidence to give us limited assurance that the amounts and disclosures relating to the data have been properly prepared in accordance with the rules and principles of ISO 14064-1:2006, as outlined in reference documents A-8 below.

In testing the emissions accounting and reporting processes, we examined elements at both entity consolidation level and a selection of local facilities.

This examination also involved exercising where necessary estimates and judgments made by the Company in preparing the data and considering the overall adequacy of the presentation of the data in the Emissions Report.

Reference documents cited:



Conduct of the Verification

1) ISO 14065:2007 - Requirements for GHG validation and verification bodies for use in accreditation and other forms of recognition

2) ISO 14064-1:2006 - Part 1 - Specification with guidance for the validation and verification of greenhouse gas assertions

Rules etc. of the GHG Program

A) ISO 14064-2:2006 - Part 2 - Specification with guidance at organizational level for quantification and reporting of greenhouse gas emissions and removals

5

FINANCIAL STATEMENTS AND NOTES



Finish Water Index

Finish Water Index (FSE), is a value that considers agriculture, household and industry water consumption with renewable assets in Turkey under certain assumptions. This index weekly digitizes the water risk of Turkey. FSE values below 100 indicate the presence of “Water Stress”. The further the index falls below the 100 level, the higher the level of water stress. If the index reaches the level of 70, it is interpreted as “Severe Water Stress”. If the index exceeds 100, it means that there is no “Water Stress”. The FSE average for the January - December 2020 is 84.07.

For more details:

<https://www.yarininsuyu.com/finish-su-endeksi/>



INDEPENDENT AUDITOR’S REPORT

INDEPENDENT AUDITOR’S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

(Convenience translation of unconsolidated financial statements and independent auditor’s audit report originally issued in Turkish, See Note I. of Section three)



To access the audit reports, please scan the QR code in your browser

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

Audit of Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank), which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the unconsolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as at 31 December 2020 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 31 December 2020 include a free provision at an amount of TL 220.000 thousand, which was provided in prior years by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the “Prior Years’ Profit/Loss” as of 31 December 2020 is understated by TL 220.000 thousand.

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter is addressed in our audit
<p><i>Related important disclosures about recognition and impact of impairment on financial assets in accordance with TFRS 9</i></p> <p>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:</p> <ul style="list-style-type: none"> - 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. - The Bank determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination - Policies implemented by the Bank management include compliance risk to the regulations and other practices. - New or re-structured 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. 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - 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. - Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, Covid-19 impacts, sectorial, local 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. - Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements - 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.

Pension Fund Obligations	
<p>Employees of the Bank are members of “TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı”, (“the Fund”), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in Section Three Note XVI the “Explanations on Liabilities regarding employee benefits” to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.</p> <p>The Bank’s present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021, there is no need for technical or actual deficit to book provision as of 31 December 2020.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Bank Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial expert who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.</p>

INDEPENDENT AUDITOR'S REPORT

Derivative Financial Instruments	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but, is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January - 31 December 2020 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

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



1 February 2021
İstanbul, Türkiye

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2020

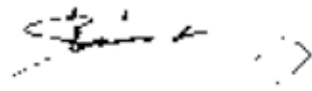
Address : Meclis-i Mebusan Cad. No: 81 Fındıklı/Istanbul
Telephone : (212) 334 51 97
Fax : (212) 334 52 34
Website : www.tskb.com.tr
E-mail : ir@tskb.com.tr

The unconsolidated financial report for the year includes the following sections in accordance with “Communiqué on the Financial Statements and Related Explanations 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 AUDITORS’ REPORT

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared **in thousands of Turkish Lira (“TL”)**, in accordance with the Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks’ records, and have been independently audited and presented as attached.

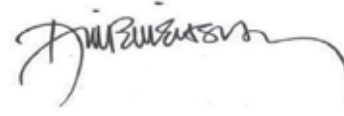
1 February 2021



H. Ersin ÖZİNCE
Chairman of Board of Directors



Ece BÖRÜ
Member of Board of Directors and
General Manager



Aziz Ferit ERASLAN
Executive Vice President in Charge of
Financial Reporting



Tolga SERT
Head of
Financial Control Department



Mahmut MAGEMİZOĞLU
Head of Audit Committee



Gamze YALÇIN
Member of Audit Committee

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

Name-Surname/Title: Ayşe Nazlıca/Head of Financial Corporation and Investor Relations
Telephone Number: (212) 334 51 94

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

ASSETS	Section 5 Note I	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019 ^(*)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		3.999.712	4.873.494	8.873.206	3.366.651	3.430.212	6.796.863
1.1 Cash and Cash Equivalents		1.480.897	1.190.161	2.671.058	526.395	880.910	1.407.305
1.1.1 Cash and Balances with Central Bank	(1)	2.244	1.021.382	1.023.626	509	803.528	804.037
1.1.2 Banks	(3)	55.795	169.352	225.147	288	77.844	78.132
1.1.3 Money Market Placements		1.422.996	-	1.422.996	525.628	-	525.628
1.1.4 Expected Credit Losses (-)		138	573	711	30	462	492
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	-	263.097	263.097	-	263.097	263.097
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	263.097	263.097	-	263.097	263.097
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	1.906.122	2.696.730	4.602.852	2.187.024	1.977.139	4.164.163
1.3.1 Government Debt Securities		1.695.394	2.619.578	4.314.972	2.001.291	1.922.143	3.923.434
1.3.2 Equity Instruments		62.062	77.152	139.214	40.653	53.806	94.459
1.3.3 Other Financial Assets		148.666	-	148.666	145.080	1.190	146.270
1.4 Derivative Financial Assets	(2)	612.693	723.506	1.336.199	653.232	309.066	962.298
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		612.693	723.506	1.336.199	653.232	309.066	962.298
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		7.705.331	32.745.881	40.451.212	6.542.075	26.586.973	33.129.048
2.1 Loans	(5)	5.514.640	33.400.020	38.914.660	4.529.117	26.766.177	31.295.294
2.2 Lease Receivables	(10)	-	205.726	205.726	-	128.874	128.874
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(6)	2.719.902	363.157	3.083.059	2.285.894	299.266	2.585.160
2.4.1 Government Debt Securities		2.719.902	363.157	3.083.059	2.285.894	299.266	2.585.160
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Losses (-)		529.211	1.223.022	1.752.233	272.936	607.344	880.280
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	64.403	-	64.403	64.403	-	64.403
3.1 Held for Sale Purpose		64.403	-	64.403	64.403	-	64.403
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		1.232.821	-	1.232.821	866.767	-	866.767
4.1 Investments in Associates (Net)	(7)	625.893	-	625.893	466.895	-	466.895
4.1.1 Accounted Under Equity Method		625.893	-	625.893	466.895	-	466.895
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(8)	606.928	-	606.928	399.872	-	399.872
4.2.1 Unconsolidated Financial Subsidiaries		581.897	-	581.897	378.504	-	378.504
4.2.2 Unconsolidated Non-Financial Subsidiaries		25.031	-	25.031	21.368	-	21.368
4.3 Entities under Common Control (Joint Venture) (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(12)	89.720	-	89.720	91.224	-	91.224
VI. INTANGIBLE ASSETS (Net)	(13)	3.304	-	3.304	3.029	-	3.029
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		3.304	-	3.304	3.029	-	3.029
VII. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(15)	175.421	-	175.421	38.528	-	38.528
X. OTHER ASSETS (Net)	(17)	117.404	458.868	576.272	110.332	400.151	510.483
TOTAL ASSETS		13.388.116	38.078.243	51.466.359	11.083.009	30.417.336	41.500.345

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020

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

LIABILITIES AND EQUITY	Section 5 Note II	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019 ^(*)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
II. FUNDS BORROWED	(3)	119.985	32.176.978	32.296.963	615.530	25.731.401	26.346.931
III. MONEY MARKET BALANCES		721.536	323.705	1.045.241	369.384	662.172	1.031.556
IV. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	8.021.275	8.021.275	-	6.023.450	6.023.450
4.1 Bills		-	-	-	-	-	-
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	8.021.275	8.021.275	-	6.023.450	6.023.450
V. BORROWER FUNDS		6.275	115.830	122.105	2.494	56.456	58.950
5.1 Borrower Funds		6.275	115.830	122.105	2.494	56.456	58.950
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)	326.364	548.616	874.980	276.933	207.410	484.343
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		326.364	548.616	874.980	276.933	207.410	484.343
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(5)	26.425	-	26.425	34.278	-	34.278
X. PROVISIONS	(7)	240.684	29.593	270.277	237.349	22.070	259.419
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		17.096	-	17.096	14.724	-	14.724
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		223.588	29.593	253.181	222.625	22.070	244.695
XI. CURRENT TAX LIABILITY	(8)	147.991	-	147.991	77.425	-	77.425
XII. DEFERRED TAX LIABILITY	(8)	-	-	-	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(10)	-	2.299.503	2.299.503	-	1.830.045	1.830.045
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	2.299.503	2.299.503	-	1.830.045	1.830.045
XV. OTHER LIABILITIES		141.233	115.810	257.043	127.560	59.245	186.805
XVI. SHAREHOLDERS' EQUITY		5.981.463	123.093	6.104.556	5.170.500	(3.357)	5.167.143
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2 Capital Reserves		374	-	374	374	-	374
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		374	-	374	374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	(11)	124.204	(765)	123.439	74.300	(147)	74.153
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		101.816	123.858	225.674	75.400	(3.210)	72.190
16.5 Profit Reserves		2.222.240	-	2.222.240	1.444.342	-	1.444.342
16.5.1 Legal Reserves	(11)	338.153	-	338.153	303.070	-	303.070
16.5.2 Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3 Extraordinary Reserves	(11)	1.805.526	-	1.805.526	1.062.711	-	1.062.711
16.5.4 Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6 Profit Or Loss		732.829	-	732.829	776.084	-	776.084
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		732.829	-	732.829	776.084	-	776.084
TOTAL LIABILITIES AND EQUITY		7.711.956	43.754.403	51.466.359	6.911.453	34.588.892	41.500.345

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019			
OFF BALANCE SHEET		Section 5 Note III	TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		6.358.023	60.441.052	66.799.075	7.646.516	56.481.115	64.127.631
I.	GUARANTEES AND COLLATERALS	(1)	356.059	4.582.781	4.938.840	450.736	4.096.982	4.547.718
1.1	Letters of Guarantee		356.059	1.730.105	2.086.164	450.736	1.368.294	1.819.030
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		356.059	1.730.105	2.086.164	450.736	1.368.294	1.819.030
1.2	Bank Acceptances		-	170.915	170.915	-	190.447	190.447
1.2.1	Import Letter of Acceptance		-	170.915	170.915	-	190.447	190.447
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
1.3.1	Documantery Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantess		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(1)	674.463	5.268.401	5.942.864	450.117	3.181.266	3.631.383
2.1	Irrevocable Commitments		124.557	553.859	678.416	104.408	336.269	440.677
2.1.1	Forward Asset Purchase and Sale Commitments		9.512	90.579	100.091	4.506	16.898	21.404
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	127.172	127.172	-	96.782	96.782
2.1.4	Loan Granting Commitments		-	-	-	-	-	-
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		-	-	-	-	-	-
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		115.045	336.108	451.153	99.902	222.589	322.491
2.2	Revocable Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.1	Revocable Loan Granting Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	5.327.501	50.589.870	55.917.371	6.745.663	49.202.867	55.948.530
3.1	Derivative Financial Instruments for Hedging Purposes		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.1	Fair Value Hedge		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		5.327.501	30.749.104	36.076.605	6.745.663	32.682.437	39.428.100

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
Section 5 Note III		TL	FC	Total	TL	FC	Total
OFF BALANCE SHEET							
3.2.1	Forward Foreign Currency Buy/Sell Transactions	551.948	799.850	1.351.798	2.715.295	2.672.415	5.387.710
3.2.1.1	Forward Foreign Currency Transactions-Buy	283.382	393.739	677.121	1.359.615	1.335.965	2.695.580
3.2.1.2	Forward Foreign Currency Transactions-Sell	268.566	406.111	674.677	1.355.680	1.336.450	2.692.130
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate	4.632.583	29.814.290	34.446.873	3.142.346	29.122.244	32.264.590
3.2.2.1	Foreign Currency Swap-Buy	264.164	6.861.632	7.125.796	523.843	6.474.510	6.998.353
3.2.2.2	Foreign Currency Swap-Sell	4.368.419	2.503.402	6.871.821	2.618.503	3.950.480	6.568.983
3.2.2.3	Interest Rate Swap-Buy	-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.2.4	Interest Rate Swap-Sell	-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.3	Foreign Currency, Interest Rate, and Securities Options	142.970	134.964	277.934	888.022	887.778	1.775.800
3.2.3.1	Foreign Currency Options-Buy	71.485	67.482	138.967	444.061	443.889	887.950
3.2.3.2	Foreign Currency Options-Sell	71.485	67.482	138.967	443.961	443.889	887.850
3.2.3.3	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell	-	-	-	-	-	-
3.2.3.5	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6	Securities Options-Sell	-	-	-	-	-	-
3.2.4	Foreign Currency Futures	-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell	-	-	-	-	-	-
3.2.5	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)	66.624.295	416.277.357	482.901.652	73.293.060	466.201.948	539.495.008
IV.	ITEMS HELD IN CUSTODY	821.679	143.519	965.198	649.217	632.325	1.281.542
4.1	Customers' Securities Held	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	24.389	143.519	167.908	55.046	632.325	687.371
4.3	Checks Received for Collection	248	-	248	248	-	248
4.4	Commercial Notes Received for Collection	-	-	-	-	-	-
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	-	-	-	-	-	-
4.8	Custodians	797.042	-	797.042	593.923	-	593.923
V.	PLEDGES ITEMS	59.072.459	327.909.328	386.981.787	52.954.751	254.620.387	307.575.138
5.1	Marketable Securities	456.248	-	456.248	471.248	13.784.545	14.255.793
5.2	Guarantee Notes	80.240	1.616.133	1.696.373	95.146	3.691.401	3.786.547
5.3	Commodity	-	-	-	-	-	-
5.4	Warranty	-	-	-	-	-	-
5.5	Real Estate	8.235.107	89.251.431	97.486.538	3.805.563	63.849.083	67.654.646
5.6	Other Pledged Items	50.300.864	237.041.764	287.342.628	48.582.794	173.295.358	221.878.152
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED BILL OF EXCHANGE AND COLLATERALS	6.730.157	88.224.510	94.954.667	19.689.092	210.949.236	230.638.328
TOTAL OFF BALANCE SHEET ITEMS (A+B)		72.982.318	476.718.409	549.700.727	80.939.576	522.683.063	603.622.639

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

STATEMENT OF PROFIT OR LOSS		Section 5 Note IV	Audited Current Period 1 January 2020 - 31 December 2020	Audited Prior Period 1 January 2019 - 31 December 2019 ^(*)
I.	INTEREST INCOME	(1)	3.266.501	3.254.968
1.1	Interest on Loans		2.368.072	2.212.758
1.2	Interest Received from Reserve Deposits		72	7.101
1.3	Interest Received from Banks		21.910	54.384
1.4	Interest Received from Money Market Placements		90.430	290.421
1.5	Interest Received from Marketable Securities Portfolio		772.828	669.120
1.5.1	Fair Value through Profit or Loss		5	3
1.5.2	Fair Value through other Comprehensive Income		408.341	442.319
1.5.3	Measured at Amortized Cost		364.482	226.798
1.6	Finance Lease Interest Income		8.460	6.406
1.7	Other Interest Income		4.729	14.778
II.	INTEREST EXPENSES (-)	(2)	1.267.018	1.323.131
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		585.670	638.406
2.3	Interest on Money Market Borrowings		28.347	111.504
2.4	Interest on Securities Issued		643.826	556.212
2.5	Leasing Interest Expense		7.808	9.402
2.6	Other Interest Expense		1.367	7.607
III.	NET INTEREST INCOME (I - II)		1.999.483	1.931.837
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		50.145	29.758
4.1	Fees and Commissions Received		57.605	36.241
4.1.1	Non-cash Loans		35.171	25.157
4.1.2	Other		22.434	11.084
4.2	Fees and Commissions Paid (-)		7.460	6.483
4.2.1	Non-cash Loans		1.067	968
4.2.2	Other		6.393	5.515
V.	DIVIDEND INCOME	(3)	4.392	3.082
VI.	NET TRADING INCOME	(4)	40.168	(445.660)
6.1	Securities Trading Gains/(Losses)		7.122	1.320
6.2	Derivative Financial Instruments Gains/Losses		(105.898)	(553.297)
6.3	Foreign Exchange Gains/Losses (Net)		138.944	106.317
VII.	OTHER OPERATING INCOME	(5)	5.889	31.612
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		2.100.077	1.550.629
IX.	EXPECTED CREDIT LOSSES (-)	(6)	1.008.512	458.882
X.	OTHER PROVISION EXPENSES (-)	(6)	-	-
XI.	PERSONNEL EXPENSES (-)		143.205	126.726
XII.	OTHER OPERATING EXPENSES (-)	(7)	78.696	74.835
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		869.664	890.186
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XV.	PROFIT/(LOSS) ON EQUITY METHOD		77.684	78.480
XVI.	GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		947.348	968.666
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	214.519	192.582
18.1	Provision for Current Income Taxes		363.282	280.993
18.2	Deferred Tax Income Effect (+)		499.919	193.387
18.3	Deferred Tax Expense Effect (-)		648.682	281.798
XIX.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	(9)	732.829	776.084
XX.	INCOME ON DISCONTINUED OPERATIONS		-	-
20.1	Income on Assets Held for Sale		-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3	Income on Other Discontinued Operations		-	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Loss from Assets Held for Sale		-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3	Loss from Other Discontinued Operations		-	-
XXII.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Provision for Current Income Taxes		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	(10)	732.829	776.084
Earning/(loss) per share			0,262	0,277

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Current Period 1 January 2020 - 31 December 2020	Reviewed Prior Period 1 January 2019 - 31 December 2019 ^(*)
I.	CURRENT PERIOD INCOME/LOSS	732.829	776.084
II.	OTHER COMPREHENSIVE INCOME	202.770	221.612
2.1	Not Reclassified Through Profit or Loss	49.286	9.857
2.1.1	Property and Equipment Revaluation Increase/Decrease	10.481	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	3.469	(940)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	36.639	10.590
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.303)	207
2.2	Reclassified Through Profit or Loss	153.484	211.755
2.2.1	Foreign Currency Translation Differences	19.138	5.010
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	57.487	243.693
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	87.426	16.677
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(10.567)	(53.625)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	935.599	997.696

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

						Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss									
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
Restated ^(*)																		
Prior Period - 31 December 2019																		
I.	Prior Period End Balance		2.800.000	-	-	374	40.908	(349)	809.151	15.704	(162.060)	-	518.691	696.585	-	4.719.004	-	4.719.004
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	(785.414)	-	-	-	6.791	178.103	50.963	-	(549.557)	-	(549.557)
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	(785.414)	-	-	-	6.791	178.103	50.963	-	(549.557)	-	(549.557)
III.	Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	40.908	(349)	23.737	15.704	(162.060)	6.791	696.794	747.548	-	4.169.447	-	4.169.447
IV.	Total Comprehensive Income		-	-	-	-	-	(733)	10.590	5.010	190.068	16.677	50.963	(50.963)	776.084	997.696	-	997.696
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		-	-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	696.585	(696.585)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)			2.800.000	-	-	374	40.908	(1.082)	34.327	20.714	28.008	23.468	1.444.342	-	776.084	5.167.143	-	5.167.143

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

1. Accumulated Revaluation Increase/Decrease of Fixed Assets
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Transition Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

					Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss											
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
Current Period - 31 December 2020																			
I.	Prior Period End Balance		2.800.000	-	-	374	40.908	(1.082)	34.327	20.714	28.008	23.468	1.444.342	776.084	-	5.167.143	-	5.167.143	
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)		2.800.000	-	-	374	40.908	(1.082)	34.327	20.714	28.008	23.468	1.444.342	776.084	-	5.167.143	-	5.167.143	
IV.	Total Comprehensive Income		-	-	-	-	9.901	2.746	36.639	19.138	46.920	87.426	-	-	732.829	935.599	-	935.599	
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	76.253	(74.439)	-	1.814	-	1.814	
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	701.645	(701.645)	-	-	-	-	
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	701.645	(701.645)	-	-	-	-	
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period-End Balance (III+IV+.....+X+XI)			2.800.000	-	-	374	50.809	1.664	70.966	39.852	74.928	110.894	2.222.240	-	732.829	6.104.556	-	6.104.556	

1. Accumulated Revaluation Increase/Decrease of Fixed Assets
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Translition Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		1.852.903	1.120.354
1.1.1 Interest Received		2.919.380	2.912.455
1.1.2 Interest Paid		(1.172.640)	(1.161.310)
1.1.3 Dividends Received		7.433	7.123
1.1.4 Fees and Commissions Received		57.605	36.241
1.1.5 Other Income		10.620	4.708
1.1.6 Collections from Previously Written off Loans		33.003	84.517
1.1.7 Payments to Personnel and Service Suppliers		(140.855)	(124.566)
1.1.8 Taxes Paid		(295.515)	(294.562)
1.1.9 Others		433.872	(344.252)
1.2 Changes in Operating Assets and Liabilities		(551.990)	810.466
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		568.701	398.939
1.2.4 Net (Increase) (Decrease) in Other Assets		(275.434)	138.668
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		(1.367.338)	(358.481)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		522.081	631.340
I. Net Cash Provided by/(used in) Banking Operations		1.300.913	1.930.820
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by/(used in) Investing Activities		(189.774)	(516.643)
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		(185.542)	(400)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(1.532)	(6.366)
2.4 Disposals of Property and Equipment		108	3.277
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(1.013.123)	(1.048.151)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		1.160.742	775.098
2.7 Purchase of Financial Assets Measured at Amortized Cost		(149.670)	(433.812)
2.8 Sale of Financial Assets Measured at Amortized Cost		1.577	195.251
2.9 Others		(2.334)	(1.540)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by/(used in) Financing Activities		(93.027)	(2.019.964)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		2.345.479	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.420.808)	(2.004.016)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Leases		(17.698)	(15.948)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		23.688	3.262
V. Net Increase/(Decrease) in Cash and Cash Equivalents		1.041.800	(602.525)
VI. Cash and Cash Equivalents at Beginning of the Period		599.585	1.202.110
VII. Cash and Cash Equivalents at End of the Period		1.641.385	599.585

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Audited Current Period 31 December 2020 ⁽¹⁾	Audited Prior Period 31 December 2019 ⁽⁴⁾
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	947.348	894.227
1.2 TAXES AND DUTIES PAYABLE	214.519	192.582
1.2.1 Corporate Tax (Income tax)	363.282	280.993
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties ⁽³⁾	(148.763)	(88.411)
A. NET INCOME FOR THE YEAR (1.1-1.2)	732.829	701.645
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	35.083
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	732.829	666.562
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	-	666.562
1.12 OTHER RESERVES	-	-
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	0.26	0.24
3.2 TO OWNERS OF ORDINARY SHARES (%)	26.17	23.81
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
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 2020 yet, only profit available for distribution for the year 2020 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 26 March 2020, after the publication of the independently audited financial statements dated 31 December 2019 and rearranged in this direction. Also, the previous period adjustments stated in the Note XXIII of Section Three are not reflected in the previous period profit distribution table.

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

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

(Convenience translation of consolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)



To access the audit reports, please scan the QR code in your browser

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries as at 31 December 2020 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 31 December 2020 include a free provision at an amount of TL 220.000 thousand, which was provided in prior years by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the “Prior Years’ Profit/Loss” as of 31 December 2020 is understated by TL 220.000 thousand.

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our *other* responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter is addressed in our audit
<p>Related important disclosures about recognition and impact of impairment on financial assets in accordance with TFRS 9</p> <p>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:</p> <ul style="list-style-type: none"> - 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 Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. - The Group determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination - Policies implemented by the Group management include compliance risk to the regulations and other practices. - New or re-structured 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 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - 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. - Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, Covid-19 impacts, sectorial, local 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 - Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with TFRS 9 standard requirements - 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

Pension Fund Obligations	
<p>Employees of the Parent Bank are members of “TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı”, (“the Fund”), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in Section Three Note XVII the “Explanations on Liabilities regarding employee benefits” to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.</p> <p>The Parent Bank’s present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2020 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021, there is no need for technical or actual deficit to book provision as of 31 December 2020.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Parent Bank Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial expert who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.</p>

INDEPENDENT AUDITOR'S REPORT

Derivative Financial Instruments	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.c Positive differences related to derivative financial assets and Section Five Note II.2 Negative differences related to derivative financial liabilities disclosures.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing operating effectiveness of the key controls in the process of fair value determination.</p> <p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

Responsibilities of Management and Directors for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but, is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") ; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January - 31 December 2020 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

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



1 February 2021
İstanbul, Türkiye

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2020

Address : Meclis-i Mebusan Cad. No: 81 Fındıklı/Istanbul
Telephone : (212) 334 51 97
Fax : (212) 334 52 34
Website : www.tskb.com.tr
E-mail : ir@tskb.com.tr

The consolidated financial report for year end includes the following sections in accordance with “Communiqué on the Financial Statements and Related Explanations 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 AUDITORS’ REPORT

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

Subsidiaries

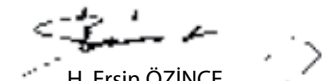
Yatırım Finansman Menkul Değerler A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.
Yatırım Varlık Kiralama A.Ş.

Associates

İş Finansal Kiralama A.Ş.
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
İş Faktoring A.Ş.

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared in **thousands of Turkish Lira (“TL”)**, in accordance with the Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks’ records, and have been independently audited and presented as attached.


1 February 2021


H. Ersin ÖZİNCE
Chairman of Board of Directors


Ece BÖRÜ
Member of Board of Directors and
General Manager


Aziz Ferit ERASLAN
Executive Vice President in Charge of
Financial Reporting


Tolga SERT
Head of
Financial Control Department


Mahmut MAGEMİZOĞLU
Head of Audit Committee


Gamze YALÇIN
Member of Audit Committee

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

Name-Surname/Title: Ayşe Nazlıca/Head of Financial Corporation and Investor Relations
Telephone Number: (212) 334 51 94

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

ASSETS	Section 5 Note I	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		4.051.419	5.046.636	9.098.055	3.417.606	3.597.087	7.014.693
1.1 Cash and Cash Equivalents		1.512.256	1.363.303	2.875.559	539.386	1.047.785	1.587.171
1.1.1 Cash and Balances with Central Bank	(1)	2.247	1.021.382	1.023.629	513	803.528	804.041
1.1.2 Banks	(3)	86.932	342.533	429.465	12.973	244.719	257.692
1.1.3 Money Market Placements		1.424.176	-	1.424.176	526.286	-	526.286
1.1.4 Expected Credit Losses (-)		1.099	612	1.711	386	462	848
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	16.754	263.097	279.851	15.821	263.097	278.918
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		4.152	-	4.152	1	-	1
1.2.3 Other Financial Assets		12.602	263.097	275.699	15.820	263.097	278.917
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	1.905.409	2.696.730	4.602.139	2.209.134	1.977.139	4.186.273
1.3.1 Government Debt Securities		1.695.394	2.619.578	4.314.972	2.001.291	1.922.143	3.923.434
1.3.2 Equity Instruments		88.595	77.152	165.747	62.763	53.806	116.569
1.3.3 Other Financial Assets		121.420	-	121.420	145.080	1.190	146.270
1.4 Derivative Financial Assets	(2)	617.000	723.506	1.340.506	653.265	309.066	962.331
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		617.000	723.506	1.340.506	653.265	309.066	962.331
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		8.056.807	32.645.563	40.702.370	6.757.111	26.586.973	33.344.084
2.1 Loans	(5)	5.875.096	33.299.702	39.174.798	4.750.439	26.766.177	31.516.616
2.2 Lease Receivables	(10)	-	205.726	205.726	-	128.874	128.874
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(6)	2.719.902	363.157	3.083.059	2.285.894	299.266	2.585.160
2.4.1 Government Debt Securities		2.719.902	363.157	3.083.059	2.285.894	299.266	2.585.160
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Losses (-)		538.191	1.223.022	1.761.213	279.222	607.344	886.566
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	64.403	-	64.403	64.403	-	64.403
3.1 Held for Sale Purpose		64.403	-	64.403	64.403	-	64.403
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		651.842	-	651.842	473.335	-	473.335
4.1 Investments in Associates (Net)	(7)	625.893	-	625.893	465.976	-	465.976
4.1.1 Accounted Under Equity Method		625.893	-	625.893	464.920	-	464.920
4.1.2 Unconsolidated Associates		-	-	-	1.056	-	1.056
4.2 Subsidiaries (Net)	(8)	25.352	-	25.352	5.109	-	5.109
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		25.352	-	25.352	5.109	-	5.109
4.3 Entities under Common Control (Joint Venture) (Net)		597	-	597	2.250	-	2.250
4.3.1 Joint Ventures Valued Based on Equity Method		597	-	597	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	2.250	-	2.250
V. TANGIBLE ASSETS (Net)	(12)	380.662	-	380.662	347.206	-	347.206
VI. INTANGIBLE ASSETS (Net)	(13)	5.066	-	5.066	5.074	-	5.074
6.1 Goodwill		1.005	-	1.005	1.005	-	1.005
6.2 Other		4.061	-	4.061	4.069	-	4.069
VII. INVESTMENT PROPERTY (Net)	(14)	279.523	-	279.523	273.918	-	273.918
VIII. CURRENT TAX ASSET		78	-	78	255	-	255
IX. DEFERRED TAX ASSET	(15)	175.419	-	175.419	39.930	-	39.930
X. OTHER ASSETS (Net)	(17)	614.639	458.863	1.073.502	289.966	400.147	690.113
TOTAL ASSETS		14.279.858	38.151.062	52.430.920	11.668.804	30.584.207	42.253.011

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019			
LIABILITIES AND EQUITY		Section 5 Note II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
II.	FUNDS BORROWED	(3)	119.985	32.212.225	32.332.210	635.639	25.992.686	26.628.325
III.	MONEY MARKET BALANCES		1.066.421	323.705	1.390.126	535.195	662.172	1.197.367
IV.	MARKETABLE SECURITIES ISSUED (Net)	(3)	441.111	8.021.275	8.462.386	253.918	6.023.450	6.277.368
4.1	Bills		35.907	-	35.907	108.662	-	108.662
4.2	Assets Backed Securities		405.204	-	405.204	145.256	-	145.256
4.3	Bonds		-	8.021.275	8.021.275	-	6.023.450	6.023.450
V.	BORROWER FUNDS		6.275	115.830	122.105	2.494	56.456	58.950
5.1	Borrower Funds		6.275	115.830	122.105	2.494	56.456	58.950
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	326.364	548.616	874.980	277.424	207.410	484.834
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		326.364	548.616	874.980	277.424	207.410	484.834
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	(5)	4.394	-	4.394	4.913	-	4.913
X.	PROVISIONS	(7)	245.185	29.593	274.778	242.096	22.070	264.166
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		21.141	-	21.141	18.095	-	18.095
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		224.044	29.593	253.637	224.001	22.070	246.071
XI.	CURRENT TAX LIABILITY	(8)	155.129	-	155.129	83.358	-	83.358
XII.	DEFERRED TAX LIABILITY	(8)	1.508	-	1.508	-	-	-
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(10)	-	2.299.503	2.299.503	-	1.830.045	1.830.045
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	2.299.503	2.299.503	-	1.830.045	1.830.045
XV.	OTHER LIABILITIES		175.204	207.828	383.032	158.620	86.076	244.696
XVI.	SHAREHOLDERS' EQUITY		6.007.676	123.093	6.130.769	5.182.346	(3.357)	5.178.989
16.1	Paid-in capital	(11)	2.800.000	-	2.800.000	2.800.000	-	2.800.000
16.2	Capital Reserves		1.150	-	1.150	904	-	904
16.2.1	Share Premium		776	-	776	530	-	530
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)	390.557	(765)	389.792	337.134	(147)	336.987
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		101.903	123.858	225.761	75.403	(3.210)	72.193
16.5	Profit Reserves		1.947.077	-	1.947.077	1.226.589	-	1.226.589
16.5.1	Legal Reserves	(11)	342.716	-	342.716	306.633	-	306.633
16.5.2	Status Reserves		75.641	-	75.641	75.641	-	75.641
16.5.3	Extraordinary Reserves	(11)	1.525.800	-	1.525.800	841.395	-	841.395
16.5.4	Other Profit Reserves		2.920	-	2.920	2.920	-	2.920
16.6	Profit Or Loss		712.819	-	712.819	704.226	-	704.226
16.6.1	Prior Years' Profit/Loss		525	-	525	(26.278)	-	(26.278)
16.6.2	Current Year Profit/Loss		712.294	-	712.294	730.504	-	730.504
16.7	Non-Controlling Interests		54.170	-	54.170	38.090	-	38.090
TOTAL LIABILITIES AND EQUITY			8.549.252	43.881.668	52.430.920	7.376.003	34.877.008	42.253.011

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

OFF-BALANCE SHEET	Section 5 Note III	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		7.373.851	60.513.309	67.887.160	8.650.964	56.620.778	65.271.742
I. GUARANTEES AND COLLATERALS	(1)	356.057	4.582.781	4.938.838	450.734	4.096.982	4.547.716
1.1 Letters of Guarantee		356.057	1.730.105	2.086.162	450.734	1.368.294	1.819.028
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		356.057	1.730.105	2.086.162	450.734	1.368.294	1.819.028
1.2 Bank Acceptances		-	170.915	170.915	-	190.447	190.447
1.2.1 Import Letter of Acceptance		-	170.915	170.915	-	190.447	190.447
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
1.3.1 Documantary Letters of Credit		-	2.681.761	2.681.761	-	2.538.241	2.538.241
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantess		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	1.600.166	5.267.924	6.868.090	1.313.799	3.181.266	4.495.065
2.1 Irrevocable Commitments		1.050.260	553.382	1.603.642	968.090	336.269	1.304.359
2.1.1 Forward Asset Purchase and Sale Commitments		9.028	90.102	99.130	4.506	16.898	21.404
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	127.172	127.172	-	96.782	96.782
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		1.041.232	336.108	1.377.340	963.584	222.589	1.186.173
2.2 Revocable Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.1 Revocable Loan Granting Commitments		549.906	4.714.542	5.264.448	345.709	2.844.997	3.190.706
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	5.417.628	50.662.604	56.080.232	6.886.431	49.342.530	56.228.961
3.1 Derivative Financial Instruments for Hedging Purposes		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.1 Fair Value Hedge		-	19.840.766	19.840.766	-	16.520.430	16.520.430
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		5.417.628	30.821.838	36.239.466	6.886.431	32.822.100	39.708.531

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Section 5 Note III	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
3.2.1 Forward Foreign Currency Buy/Sell Transactions		551.948	799.850	1.351.798	2.715.295	2.672.415	5.387.710
3.2.1.1 Forward Foreign Currency Transactions-Buy		283.382	393.739	677.121	1.359.615	1.335.965	2.695.580
3.2.1.2 Forward Foreign Currency Transactions-Sell		268.566	406.111	674.677	1.355.680	1.336.450	2.692.130
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		4.710.136	29.887.024	34.597.160	3.283.114	29.261.907	32.545.021
3.2.2.1 Foreign Currency Swap-Buy		341.717	6.861.632	7.203.349	664.611	6.474.510	7.139.121
3.2.2.2 Foreign Currency Swap-Sell		4.368.419	2.576.136	6.944.555	2.618.503	4.090.143	6.708.646
3.2.2.3 Interest Rate Swap-Buy		-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.2.4 Interest Rate Swap-Sell		-	10.224.628	10.224.628	-	9.348.627	9.348.627
3.2.3 Foreign Currency, Interest Rate, and Securities Options		142.970	134.964	277.934	888.022	887.778	1.775.800
3.2.3.1 Foreign Currency Options-Buy		71.485	67.482	138.967	444.061	443.889	887.950
3.2.3.2 Foreign Currency Options-Sell		71.485	67.482	138.967	443.961	443.889	887.850
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		12.574	-	12.574	-	-	-
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		68.853.512	416.411.119	485.264.631	75.378.722	466.258.507	541.637.229
IV. ITEMS HELD IN CUSTODY		3.048.106	276.873	3.324.979	2.730.641	688.583	3.419.224
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		2.250.816	276.873	2.527.689	2.136.470	688.583	2.825.053
4.3 Checks Received for Collection		248	-	248	248	-	248
4.4 Commercial Notes Received for Collection		-	-	-	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		797.042	-	797.042	593.923	-	593.923
V. PLEDGES ITEMS		59.075.249	327.909.736	386.984.985	52.958.989	254.620.688	307.579.677
5.1 Marketable Securities		456.248	-	456.248	471.248	13.784.545	14.255.793
5.2 Guarantee Notes		80.666	1.616.541	1.697.207	95.499	3.691.702	3.787.201
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		8.235.352	89.251.431	97.486.783	3.805.808	63.849.083	67.654.891
5.6 Other Pledged Items		50.302.983	237.041.764	287.344.747	48.586.434	173.295.358	221.881.792
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		6.730.157	88.224.510	94.954.667	19.689.092	210.949.236	230.638.328
TOTAL OFF BALANCE SHEET ITEMS (A+B)		76.227.363	476.924.428	553.151.791	84.029.686	522.879.285	606.908.971

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AT 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

STATEMENT OF PROFIT OR LOSS		Section 5 Note IV	Audited Current Period 1 January 2020 -31 December 2020	Audited Prior Period 1 January 2019 -31 December 2019
I. INTEREST INCOME	(1)		3.336.674	3.313.001
1.1 Interest on Loans			2.422.360	2.260.048
1.2 Interest Received from Reserve Deposits			72	7.101
1.3 Interest Received from Banks			32.779	60.321
1.4 Interest Received from Money Market Placements			90.413	290.429
1.5 Interest Received from Marketable Securities Portfolio			774.466	670.421
1.5.1 Fair Value Through Profit or Loss			1.643	1.327
1.5.2 Fair Value Through other Comprehensive Income			408.341	442.296
1.5.3 Measured at Amortized Cost			364.482	226.798
1.6 Finance Lease Income			8.460	6.406
1.7 Other Interest Income			8.124	18.275
II. INTEREST EXPENSES (-)	(2)		1.314.289	1.401.717
2.1 Interest on Deposits			-	-
2.2 Interest on Funds Borrowed			606.235	669.318
2.3 Interest on Money Market Borrowings			56.029	157.818
2.4 Interest on Securities Issued			649.385	565.831
2.5 Leasing Interest Expense			192	1.143
2.6 Other Interest Expense			2.448	7.607
III. NET INTEREST INCOME (I - II)			2.022.385	1.911.284
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES			118.915	65.103
4.1 Fees and Commissions Received			137.281	78.154
4.1.1 Non-cash Loans			35.030	24.400
4.1.2 Other			102.251	53.754
4.2 Fees and Commissions Paid (-)			18.366	13.051
4.2.1 Non-cash Loans			2.859	2.916
4.2.2 Other			15.507	10.135
V. DIVIDEND INCOME	(3)		10.857	6.754
VI. NET TRADING INCOME	(4)		(10.807)	(419.123)
6.1 Securities Trading Gains/(Losses)			5.119	3.737
6.2 Derivative Financial Instruments Gains/Losses			(61.198)	(489.078)
6.3 Foreign Exchange Gains/Losses (Net)			45.272	66.218
VII. OTHER OPERATING INCOME	(5)		138.534	65.550
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)			2.279.884	1.629.568
IX. EXPECTED CREDIT LOSSES (-)	(6)		1.011.664	460.631
X. OTHER PROVISION EXPENSES (-)	(6)		-	-
XI. PERSONNEL EXPENSES (-)			178.506	156.391
XII. OTHER OPERATING EXPENSES (-)	(7)		228.018	99.017
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)			861.696	913.529
XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-	-
XV. PROFIT/(LOSS) ON EQUITY METHOD			74.651	19.944
XVI. GAIN/(LOSS) ON NET MONETARY POSITION			-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)			936.347	933.473
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)		226.874	197.332
18.1 Provision for Current Income Taxes			372.725	286.837
18.2 Deferred Tax Income Effect (+)			502.836	193.394
18.3 Deferred Tax Expense Effect (-)			648.687	282.899
XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	(10)		709.473	736.141
XX. INCOME ON DISCONTINUED OPERATIONS			-	-
20.1 Income on Assets Held for Sale			-	-
20.2 Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)			-	-
20.3 Income on Other Discontinued Operations			-	-
XXI. LOSS FROM DISCONTINUED OPERATIONS (-)			-	-
21.1 Loss from Assets Held for Sale			-	-
21.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)			-	-
21.3 Loss from Other Discontinued Operations			-	-
XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)			-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			-	-
23.1 Provision for Current Income Taxes			-	-
23.2 Deferred Tax Expense Effect (+)			-	-
23.3 Deferred Tax Income Effect (-)			-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)			-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	(11)		709.473	736.141
25.1 Group's Profit/Loss			712.294	730.504
25.2 Minority Shares (-)			(2.821)	5.637
Earning/(loss) per share			0,254	0,261

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

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

		Audited Current Period	Audited Prior Period
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
I.	CURRENT PERIOD INCOME/LOSS	709.473	736.141
II.	OTHER COMPREHENSIVE INCOME	206.373	264.373
2.1	Not Reclassified Through Profit or Loss	52.805	52.617
2.1.1	Property and Equipment Revaluation Increase/Decrease	32.407	49.105
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	3.507	(1.034)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	18.194	4.339
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.303)	207
2.2	Reclassified Through Profit or Loss	153.568	211.756
2.2.1	Foreign Currency Translation Differences	19.138	5.010
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	57.571	243.694
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	87.426	16.678
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(10.567)	(53.626)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	915.846	1.000.514

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

		Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss						Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss						Total Equity Except from Minority Interest				Total Shareholders' Equity
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)	Minority Interest	Minority Interest		
Prior Period - 31 December 2019																		
I. Prior Period End Balance		2.800.000	516	-	374	261.494	(566)	23.442	15.704	(162.058)	6.791	529.059	670.698	-	4.145.454	38.622		4.184.076
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		2.800.000	516	-	374	261.494	(566)	23.442	15.704	(162.058)	6.791	529.059	670.698	-	4.145.454	38.622		4.184.076
IV. Total Comprehensive Income		-	-	-	-	49.105	(827)	4.339	5.010	190.068	16.678	-	-	730.504	994.877	5.637		1.000.514
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	14	-	-	-	-	-	-	-	-	133	555	-	702	(6.169)		(5.467)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	697.397	(697.531)	-	(134)	-		(134)
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-		(134)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	697.397	(697.397)	-	-	-		-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Period-End Balance (III+IV+.....+X+XI)		2.800.000	530	-	374	310.599	(1.393)	27.781	20.714	28.010	23.469	1.226.589	(26.278)	730.504	5.140.899	38.090		5.178.989

1. Accumulated Revaluation Increase/Decrease of Fixed Assets,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

						Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss									
CHANGES IN SHAREHOLDERS' EQUITY		Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
Current Period - 31 December 2020																		
I.	Prior Period End Balance		2.800.000	530	-	374	310.599	(1.393)	27.781	20.714	28.010	23.469	1.226.589	704.226	-	5.140.899	38.090	5.178.989
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I-II)		2.800.000	530	-	374	310.599	(1.393)	27.781	20.714	28.010	23.469	1.226.589	704.226	-	5.140.899	38.090	5.178.989
IV.	Total Comprehensive Income		-	-	-	-	31.826	2.785	18.194	19.138	47.004	87.426	-	-	712.294	918.667	(2.821)	915.846
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		-	246	-	-	-	-	-	-	-	-	17.844	(923)	-	17.167	18.901	36.068
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	702.644	(702.778)	-	(134)	-	(134)
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-	(134)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	702.644	(702.644)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)			2.800.000	776	-	374	342.425	1.392	45.975	39.852	75.014	110.895	1.947.077	525	712.294	6.076.599	54.170	6.130.769

1. Accumulated Revaluation Increase/Decrease of Fixed Assets,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		1.892.269	1.125.037
1.1.1 Interest Received		2.985.322	2.971.773
1.1.2 Interest Paid		(1.224.002)	(1.250.464)
1.1.3 Dividends Received		10.857	6.754
1.1.4 Fees and Commissions Received		137.281	78.154
1.1.5 Other Income		65.373	80.871
1.1.6 Collections from Previously Written off Loans		33.596	85.017
1.1.7 Payments to Personnel and Service Suppliers		(210.323)	(182.369)
1.1.8 Taxes Paid		(284.929)	(288.619)
1.1.9 Others		379.094	(376.080)
1.2 Changes in Operating Assets and Liabilities		(684.992)	683.347
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(19.143)	(5.157)
1.2.2 Net (Increase) (Decrease) in Due from Banks		-	-
1.2.3 Net (Increase) (Decrease) in Loans		428.298	310.064
1.2.4 Net (Increase) (Decrease) in Other Assets		(315.826)	120.049
1.2.5 Net (Increase) (Decrease) in Bank Deposits		-	-
1.2.6 Net (Increase) (Decrease) in Other Deposits		-	-
1.2.7 Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-	-
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		(1.518.465)	(319.292)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-	-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		740.144	577.683
I. Net Cash Provided by/(used in) Banking Operations		1.207.277	1.808.384
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided by/(used in) Investing Activities		(16.430)	(521.520)
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-	(990)
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(10.965)	(9.698)
2.4 Disposals of Property and Equipment		280	5.592
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(998.063)	(1.048.151)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		1.142.753	772.368
2.7 Purchase of Financial Assets Measured at Amortized Cost		(149.670)	(433.812)
2.8 Sale of Financial Assets Measured at Amortized Cost		1.577	195.251
2.9 Others		(2.342)	(2.080)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided by/(used in) Financing Activities		(130.338)	(1.897.241)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		2.330.419	108.662
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.478.503)	(2.004.016)
3.3 Capital Increase		20.534	-
3.4 Dividends Paid		(134)	(134)
3.5 Payments for Leases		(2.654)	(1.753)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		24.313	4.354
V. Net Increase/(Decrease) in Cash and Cash Equivalents		1.084.822	(606.023)
VI. Cash and Cash Equivalents at Beginning of the Period		779.802	1.385.825
VII. Cash and Cash Equivalents at End of the Period		1.864.624	779.802

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 31 December 2020 ⁽¹⁾	Audited Prior Period 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR INCOME ⁽¹⁾		
1.1 CURRENT YEAR INCOME	947.348	894.227
1.2 TAXES AND DUTIES PAYABLE	214.519	192.582
1.2.1 Corporate Tax (Income tax)	363.282	280.993
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties ⁽¹⁾	(148.763)	(88.411)
A. NET INCOME FOR THE YEAR (1.1-1.2)	732.829	701.645
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	35.083
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	732.829	666.562
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 EXTRAORDINARY RESERVES	-	666.562
1.12 OTHER RESERVES	-	-
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	0.26	0.24
3.2 TO OWNERS OF ORDINARY SHARES (%)	26.17	23.81
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
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 2020 yet, only profit available for distribution for the year 2020 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 26 March 2020, after the publication of the independently audited financial statements dated 31 December 2019 and rearranged in this direction. Also, the previous period adjustments stated in the Note XXIII of Section Three are not reflected in the previous period profit distribution table.

⁽⁵⁾ According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements is belong to the Parent Bank.

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

6

ANNEXES



SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
A. General Principles			
A1. Strategy, Policy and Targets			
The Board of Directors determines material ESG issues, risks and opportunities and establishes relevant ESG policies accordingly. In terms of the effective implementation of these policies; internal guidelines, work procedures etc. can be developed. The Board of Directors takes decisions for these policies and they are publicly disclosed.	Yes	https://www.tskb.com.tr/en/sustainable-banking/sustainability-management	-
		https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy	-
Determines the Company Strategy in line with the ESG policies, risks and opportunities. It sets and publicly discloses short-term and long-term targets conforming to the Company Strategy and ESG policies.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
A2. Implementation/Monitoring			
Determines and publicly discloses the committees/units responsible for the execution of ESG policies. The responsible committee/unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the relevant regulations of the Board.	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-sustainability-management-organization/tskb-sustainability-committee https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Creates and publicly discloses implementation and action plans in line with the short-term and long-term targets set.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 http://www.tskb.com.tr/en/financial-institutions/publications	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals
Determines and announces Key ESG Performance Indicators (KPIs) on a yearly basis. In the presence of verifiable data, it presents KPIs with local and international sector comparisons.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals
Discloses the innovation activities that improve the sustainability performance for business processes or products and services.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals
A3. Reporting			
Reports and publicly discloses its sustainability performance, targets and actions at least once a year. It discloses information on its sustainability activities within the scope of the annual report.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
It is essential to share information, which is important for stakeholders in understanding the position, performance and development of the Company, in a direct and concise manner. It can also disclose detailed information and data on the website, and prepare separate reports that directly fulfilling the needs of different stakeholders.	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports https://www.tskb.com.tr/en/financial-institutions/publications	Allocation and Impact Reporting, Sustainability Reports, CDP Reports and CoP Reports
Exercises utmost care in terms of transparency and reliability. It objectively explains all developments related to material issues in disclosures and reportings within the scope of the balanced approach.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan
Gives information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Financial Capital
Makes disclosures regarding the lawsuits filed and/or concluded against environmental, social and corporate governance issues.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Corporate Governance and Risk Management
A4. Verification			
Discloses publicly its sustainability performance measurements, if verified by independent third parties (independent sustainability assurance providers), and endeavors to increase such verifications.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Assurance Letters and Certificates
B. Environmental Principles			
Discloses its policies and practices, action plans in relation to environmental management, environmental management systems (known by the ISO 14001 standard) and programs.	Yes	https://www.tskb.com.tr/en/sustainable-banking/sustainability-management https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital 2020 Integrated Annual Report/ Assurance Letters and Certificates

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Complies with laws and other relevant regulations on the environment and discloses them.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf	-
Specifies the scope of the environmental report, reporting period, reporting date, data collection process and restrictions regarding reporting conditions to be included in the report to be prepared within the scope of the Sustainability Principles.	Yes	https://www.tskb.com.tr/en/sustainable-banking/sustainability-management https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the highest person in charge, related committees on the issues of environment and climate change and their responsibilities.	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-sustainability-management-organization/tskb-sustainability-committee https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the incentives it offers for the management of environmental issues, including the achievement of targets.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Explains how environmental matters are integrated into business targets and strategies.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses sustainability performances associated with business processes or products and services, along with improvement steps therefor.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Explains how it manages environmental issues not just with respect to its direct operations but throughout the Company's value chain and how it integrates suppliers and clients into its strategies.	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy https://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- - 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Discloses whether it is involved in policy-making processes on environmental issues (sectoral, regional, national and international); environmental associations that it is a member of, its collaborations with related organizations and non-governmental organizations, and the tasks it undertakes and the activities it supports, if any.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Financial - Natural Capital
Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; Greenhouse gas emissions Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications)	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the standards, protocols, methodology and base year details for collecting and calculating its data.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital 2020 Integrated Annual Report/ Assurance Letters and Certificates
Discloses the status of environmental indicators for the reporting year in comparison with previous years (increase or decrease).	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Sets and discloses its short-term and long-term targets for mitigating its environmental impacts. These targets are recommended to be Science Based as suggested by the UN Climate Change Conference of the Parties. Also provides information about the progress achieved, if applicable, in the reporting period with respect to the targets it has set previously.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strateji, Performans ve Öngörüler/ Capitals/Natural Capital
Discloses its strategy and actions to combat the climate crisis.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	2020 Integrated Annual Report/ Strateji, Performans ve Öngörüler/ Capitals/Natural Capital CDP Reports

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers; explains its actions for driving reduction of GHG emission quantities of third parties.	Yes	https://www.tskb.com.tr/en/sustainable-banking/sustainability-finance/environmental-and-social-risk-evaluation https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	- CDP Reports
Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/revenues and cost savings they provide.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	2020 Integrated Annual Report/Strategy, Performance and Expectations/Capitals/Financial - Natural Capital CDP Reports
Reports the total energy consumption data (excluding raw materials) and discloses its energy consumption as Scope-1 and Scope-2.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	2020 Integrated Annual Report/Strategy, Performance and Expectations/Capitals/Natural Capital CDP Reports
Provides information about the electricity, heat, steam and cooling generated and consumed during the reporting year.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	2020 Integrated Annual Report/Strategy, Performance and Expectations/Capitals/Natural Capital CDP Reports
Conducts studies on increasing the use of renewable energy, transition to zero or low carbon electricity and explains these studies.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	2020 Integrated Annual Report/Strategy, Performance and Expectations/Capitals/Financial - Natural Capital CDP Reports

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Discloses data on its renewable energy generation and consumption.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Reports the amount of underground or overground water withdrawn, consumed, recycled and discharged, the resources and procedures (Total water withdrawal on the basis of resources, water resources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.).	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports	CDP Reports
Discloses the carbon credits saved or purchased during the reporting period.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strateji, Performans ve Öngörüler/ Capitals/Natural Capital
Discloses the details if carbon pricing is applied within the Company.	No	-	2020 Integrated Annual Report/ Assurance Letters and Certificates TSKB continues to work intensely on climate risks and opportunities. Following the developments, the next stage, carbon pricing will be reviewed.
Discloses all compulsory and voluntary platforms that it reports its environmental information to.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural - Intellectual - Social Capital

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
C. Social Principles			
C1. Human Rights and Employee Rights			
Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey and the regulatory framework and legislation governing the human rights and work life in Turkey. Discloses the policy and the roles and responsibilities associated for its implementation.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf	-
		https://www.tskb.com.tr/en/about-us/careers-at-tskb/human-resources-policy	-
		https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/human-resources	-
		https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human Capital
Provides equal opportunity in recruitment processes. In its policies, it incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of women, men, faith, language, ethnicity, age, disabilities, refugees, etc.) while looking out for the effects of supply and value chain.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf	-
		https://www.tskb.com.tr/en/about-us/careers-at-tskb/human-resources-policy	-
		https://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf	-
		https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human Capital
Explains the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/equal opportunity.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB_Equal_Opportunities_Policy.pdf	-

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor. Explains the regulations to prevent child labor.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB-List-of-activities-that-are-not-to-be-financed.pdf	-
Discloses its policies regarding investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management. Determines the mechanisms for resolution of employee complaints and labor disputes, and determines conflict resolution process. Regularly discloses the activities for ensuring employee satisfaction.	Yes	https://www.tskb.com.tr/en/about-us/careers-at-tskb/employee-benefist	-
		https://www.tskb.com.tr/en/about-us/careers-at-tskb/training-development-at-tskb	-
		https://www.tskb.com.tr/en/about-us/tskb-contact-form	-
		https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human Capital 2020 Integrated Annual Report/ Corporate Governance and Risk Management
Establishes and discloses occupational health and safety policies. Discloses the measures adopted for protection against workplace accidents and for protecting occupational health along with statistical data on accidents.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf	-
		https://www.tskb.com.tr/en/about-us/careers-at-tskb/employee-benefist	-
		https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Appendix
Establishes and discloses personal data protection and data security policies.	Yes	https://www.tskb.com.tr/en/privacy-policy	-
Establishes and discloses a code of ethics (including business, business ethics, compliance processes, advertising and marketing ethics, clear disclosure efforts, etc.)	Yes	https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies	-
		https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Anti-Bribery%20and%20Anti-Corruption%20Policy%20EN%20web.pdf	-
		https://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf	-

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Discloses its activities and initiatives in relation to social investment, social responsibility, financial inclusion and access to finance.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf https://www.tskb.com.tr/i/assets/document/pdf/TSKB-List-of-activities-that-are-not-to-be-financed.pdf https://www.tskb.com.tr/en/about-us/corporate-social-responsibility	- - -
Organizes information meetings and training programs for employees on ESG policies and implementations.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020 https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Social Capital 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
C2. Stakeholders, International Standards and Initiatives			
Carries out its sustainability activities by taking into consideration the needs and priorities of all its stakeholders (employees, clients, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan
Develops and discloses a client satisfaction policy regarding the management and resolution of client complaints.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/anti-bribery-and-anti-corruption-programme-17-06-2016.pdf https://www.tskb.com.tr/en/about-us/tskb-contact-form https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- - 2020 Integrated Annual Report/ Corporate Governance and Risk Management
Maintains continuous and transparent communication with its stakeholders; It discloses with which stakeholders it communicates for what purpose, about which topic and how often, and the progress achieved in sustainability activities.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Discloses the international reporting standards it has embraced (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD), etc.).	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/our-sustainability-reports https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	Allocation and Impact Reporting, Sustainability Reports, CDP Reports and CoP Reports 2020 Integrated Annual Report/ About the Report 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
Discloses the international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.) that it is a member or signatory of, and international principles it embraces (International Capital Market Association (ICMA) Green/Sustainable Bond Principles).	Yes	https://www.tskb.com.tr/en/sustainable-banking/tskb-and-sustainable-banking/stakeholder-engagement https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural - Intellectual - Social Capital 2020 Integrated Annual Report/ Appendix
Makes concrete efforts to qualify for inclusion in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).	Yes	https://www.tskb.com.tr/en/sustainable-banking/esg-risk-rating https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	- 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural Capital
D. Corporate Governance Principles			
Makes maximum effort to comply with all Corporate Governance principles in addition to the compulsory Corporate Governance principles under the Capital Markets Board Corporate Governance Communiqué numbered II-17.1.	Yes	https://www.kap.org.tr/en/cgif/4028e4a140f2ed710140f3831c6300fd	-
Takes into consideration the sustainability issue, environmental impacts of its operations and related principles while determining its corporate governance strategy.	Yes	https://www.kap.org.tr/en/cgif/4028e4a140f2ed710140f3831c6300fd	-

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance (Yes/No/Partial/ Irrelevant)	Related Links	Related Section
Takes the necessary measures to comply with the principles regarding the stakeholders as stated in the Corporate Governance Principles and to strengthen the communication with the stakeholders. It takes its stakeholders' opinions for determining the sustainability-related measures and strategies.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Strategic Plan 2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Human - Natural Capital
Works on raising awareness on sustainability and its importance through social responsibility projects, awareness activities and trainings.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Social Capital
Makes efforts to become a member of sustainability -related international standards and initiatives and to contribute to related studies.	Yes	https://www.tskb.com.tr/en/investor-relations/financial-information?year=2020	2020 Integrated Annual Report/ Strategy, Performance and Expectations/Capitals/Natural - Intellectual - Social Capital
Discloses its anti-bribery and anti-corruption policies and programs and those on the tax integrity principle.	Yes	https://www.tskb.com.tr/i/assets/document/pdf/TSKB%20Anti-Bribery%20and%20Anti-Corruption%20Policy%20EN%20web.pdf https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf	-

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	Reference(s)/Link(s) to bank's full response/ relevant information
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	<p>Celebrating its 70th year in the Turkish banking sector in 2020, TSKB was established in Istanbul in 1950 as Turkey's first private development and investment bank with the support of the World Bank and the Central Bank of Turkey, and with the share ownership of commercial banks. TSKB's headquarters is located in Istanbul, operating with 344 people as of the end of 2020. The Bank has a branch in Ankara. The Bank does not have any operations outside Turkey.</p> <p>Since its establishment, TSKB has been supporting Turkey's sustainable development through its Corporate Banking, Investment Banking and Advisory Services. The Bank's portfolio of products and services is illustrated on page 10 of the 2020 Integrated Annual Report.</p> <p>TSKB, which does not collect deposits due to its status of being a development and investment bank, obtains qualified and themed global funds within the scope of its long-standing partnerships that it has developed with supranational finance institutions, development finance institutions (DFI) and international finance institutions. The Bank also creates additional resources with the borrowing instruments that it issues in the international debt capital markets.</p> <p>TSKB provides medium to long-term financing products tailored to sustainable investment projects in different sectors with a wide range of options, particularly corporate loans and project financing. In 2020, TSKB disbursed USD 1.3 billion in cash loans to its customers within the scope of the Corporate Banking and Project Finance activities. The main areas among new loans disbursed in 2020 were investments in electricity generation and distribution activities, industrial development, support for women employment and developing regions, energy and resource efficiency, infrastructure and the investment and working capital needs of the SMEs and the Midcaps operating in sectors such as automotive, textiles, chemicals and plastics, packaging, food, logistics, iron and steel and machinery.</p> <p>The Bank also increases its sphere of influence by offering loans to SMEs and exporters through financial leasing and factoring companies, commercial banks and participation banks within the scope of wholesale banking (APEX banking). TSKB reached 1,551 SMEs in the last three years through wholesale banking loans creating 1,079 new jobs.</p> <p>Distinguishing itself within the finance sector by its unique banking model that provides solutions to tackle the threat of climate change and support the transition to a low-carbon economy, as well as which extends sustainability themed loans, TSKB's support for investments such as renewable energy, energy and resource efficiency, environmental protection, women empowerment, occupational health and safety and access to inclusive finance accounts for three quarters of its total loan portfolio. As of 2020, the total installed capacity for renewable energy projects financed has reached at 6,594 MW representing 13.3% of Turkey's total installed capacity in renewable energy and around 1,500 additional women have joined in the labour force with the financing support of TSKB under the women empowerment and gender equality themes.</p>	<p>2020 Integrated Annual Report Page 4-11, 46-51 56-57</p> <p>TSKB Website</p> <p>IR Presentation (2020 Q4)</p>

UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

	<p>TSKB also guides companies on their growth journey with its services such as public offering, brokerage of debt instrument issuances and merger/acquisition (M&A) advisory and offers an investment banking experience to its customers at international standards. In 2020, the first lease certificate issuance in the food sector was realized with Altınmarka Gıda and the first lease certificate issuance in the logistics sector realized with MNG Cargo. In addition to these transactions, the issuance of the first sustainable lease certificate realized with Zorlu Energy was the first of its kind not only in Turkey but also in the world in terms of its scope.</p> <p>Another priority issue for TSKB is the diversification and development of new products to support environmental and social development. Having a long history and extensive experience in sustainable banking, the Bank deploys its know-how and expertise to implement innovative products. In this line, in May 2020 the Bank has been rated as the best bank in Turkey on the basis of its Environmental, Social and Governance (ESG) performance and ranked 6th out of 372 banks worldwide, and afterwards in November 2020 the Bank has signed the first loan agreement to be linked to its ESG risk rating that was the first of its kind in Turkey.</p> <p>TSKB's key performance indicators and ratios are illustrated on page 11 of the Integrated Report.</p>	
1.2 Describe how your 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.	<p>TSKB works to align its business strategy with the most relevant goals in the Sustainable Development Goals (SDGs), Paris Climate Agreement and relevant national and regional frameworks. In this respect, the Bank's sustainable and responsible banking approach is outlined in its priorities, activities and targets whereas the Bank seeks the ways to support the planet in achieving the goals of the SDGs and Paris Climate Agreement through its lending activities. TSKB adopts a long-term value creation model that focuses on five categories of capital, mainly natural and social capitals, and sets numerous sustainability goals and commitments. The 2020 target realizations and the 2021 targets on based on capitals classification are given on pages 64-65, 73-75, 86-87, 92-95, 104-105 and 112-113 of the 2020 Integrated Annual Report.</p> <p>Building on this, in 2020 TSKB has continued to finance projects that create positive environmental and social impacts by centering the SDGs. For example, the "SDG Mapping Project" has been completed and launched in 2020 after two years of hard work. Through this project, mapping and reporting studies have been carried out on the loan portfolio in order to measure the direct and indirect contribution of the Bank's lending activities to the SDGs. As a result of this analysis, SDG 1, SDG 7, SDG 8, SDG 9, SDG 12, SDG 13 and SDG 17 have stood out among others. While the Bank is continuing and will continue its support to the SDGs through its three business lines, the Bank has determined new long-term SDG-related targets within its 2020 Integrated Annual Report. (2020 Integrated Annual Report Page 94) Furthermore, TSKB has developed and implemented the "SDG Loan Model" with the support of its subsidiary Escarus, through which a self-assessment is conducted for companies regarding their social, economic and environmental impacts and action plans are designed for better SDG alignment. The objective is to incentivize the companies to improve their corporate performance on SDGs by providing more favorable loan terms and improving the pricing terms in line with the companies' sustainable performance. (2020 Integrated Annual Report Page 46) In the coming future, the Bank will continue to provide SDG-related financing through its themed global funds in the field of sustainable finance where the effects of the Covid-19 pandemic and climate change are being felt keenly.</p> <p>Speaking of climate change, TSKB follows meticulously the issue of climate change and works to provide external funds to Turkey in combatting climate change as well as support the works carried out by the Turkish government. Given that the climate change is an important issue of the TSKB Sustainability Committee's agenda, TSKB follows closely the Conference of the Parties (COP) which meets every year with the participation of representatives from a number of countries, public and private sector players and a wide range of non-governmental organizations. In 2015, TSKB participated at the COP21 where the Paris Agreement was established and declared and since then has been participating in all COP conferences. This allows TSKB to follow up on the world agenda and to share its know-how and expertise on the issue of climate change in Turkey where bank employees are involved as panelists and speakers. (2020 Integrated Annual Report Page 90)</p>	<p>2020 Integrated Annual Report Page 46, 64-65, 73-75, 86-87, 90, 92-95, 104-105, 112-113</p>

Moreover, the European Union which is at forefront of international efforts to fight climate change has taken an important step towards the European Green Deal announced in December 2019. The European Green Deal, which sets out ambitious measures and policies in line with the goals of Paris Climate Agreement, is expected to have significant effects on Turkey which has strong trade relations with the EU. In this context, TSKB has announced the establishment of the Green Swan Platform in October 2020 in order to act jointly against the climate change which is the biggest obstacle to sustainable and inclusive development and to raise awareness of climate change. TSKB aims to bring together representatives of the public and private sectors with NGOs, international organizations, academics, students and members of the media under the umbrella of this platform.

TSKB has also established the Climate Risks Working Group in 2020 in order to integrate climate risks into its work processes and intensify its work on the impact created through lending activities. TSKB will continue its work in line with the TCFD's recommendations in the coming period.

Principle 2: Impact Analysis and 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:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:



a) Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.

c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/ regions in which it operates.

TSKB, in line with the principles of sustainable and responsible banking and within the scope of the Sustainability Management System (SMS), gives special importance to objectively determining the potential risks and impacts via the environmental and social assessment of the projects it finances, as well as the management of the environmental impacts arising from its operational activities.

Impacts from Operational Activities:

Within the scope of the SMS, the consumption of electricity, water, natural gas, etc. is periodically monitored  and work is carried out towards the reduction targets. The Bank carries out all of its activities within the framework of the ISO 14001 Environmental Management System Standard. Holding the ISO14001 Certificate since 2007 , TSKB aims to ensure the continuity of its ISO 14001 Certification.

In addition, TSKB started measuring its carbon footprint in 2006 in order to support the transition to a low-carbon economy and emphasize its pioneering identity in this area. TSKB calculates the greenhouse gas emissions arising from its operational activities and neutralises its emissions through the voluntary carbon markets. TSKB, which launched zero carbon banking, has been carrying out its activities in accordance with the ISO 14064 Greenhouse Gas Calculation and Verification Standard since 2012. (2020 Integrated Annual Report Page 86-87)

Environmental and Social Risk Evaluation Tool (ERET):

TSKB designed The ERET - Environmental and Social Risk Assessment Tool in 2005 for management of environmental and social risks and impacts of investment projects. This Tool is applied with a sustainability approach that meets the environmental, social and occupational health and safety (OHS) standards of development finance organizations. The ERET Model is prepared on the basis of the standards set out by the IFC and the World Bank and also in line with the criteria laid out in the Equatorial Principles, which are applied by banks operating in developed economies. Via the environmental and social management plans developed and implemented as a result of this tool, it is aimed to minimize the negative impacts of investment projects and to bring the positive effects to the forefront. As of the end of 2020, the share of investment loans in the total loan portfolio was 67%, and the ERET Model was applied to all of them.

In 2020, the ERET Model was reviewed with a comprehensive study and the necessary updates were carried out to keep the model in line with the environmental and social risk management principles in the international finance sector.

In addition, TSKB has expanded the scope of its environmental and social risk management approach to include working capital loans and created the ERET for Working Capital Loans (Environmental and Social Risk Evaluation Tool for Working Capital Loans).


2020 Integrated Annual Report
Page 81-89

CDP 2020 Report

UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

<p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>Portfolio Impact Analysis Tool for Banks:</p> <p>In 2020, TSKB expanded its studies to further identify and evaluate the positive and negative impacts of its financing activities in all its aspects and continued to mature its impact analysis approach.</p> <p>In this context, TSKB has applied the "Portfolio Impact Analysis Tool for Banks" for the first time to its Corporate Banking loan portfolio (including corporate and project finance loans) as of 2020 year-end. ✔ Developed by the UNEP-FI and the Positive Impact Initiative under the UNEP FI Principles for Responsible Banking (of which TSKB is a founding signatory), the Portfolio Impact Analysis Tool focuses on maximizing the positive impacts and reducing the negative impacts by identifying the positive and negative impact areas resulting from the banking activities. The Bank's Investment Banking and Advisory Services portfolios are not included in the impact analysis study at this stage ✔, and it is aimed to be implemented in the upcoming years.</p> <p>Within the scope of the Portfolio Impact Analysis Tool, the Bank's cartography was prepared according to the sector codes of the International Standard Industrial Classification (ISIC), and this study pointed out that as of the end of 2020, TSKB's sectoral loan distribution was mainly based on electricity production from renewable energy (34%), other financial service activities (14%), electricity and gas distribution (7%), transportation and storage (6%), real estate activities (4%), accommodation and food service activities (4%), human health and social work activities (3%), manufacture of basic metals (3%), manufacture of food products (3%) and manufacture of textiles (3%). ✔ The methodology that works in the background of the tool highlights sector-based general positive and/or negative impacts for 22 impact areas defined by Impact Radar, developed by the Positive Impact Initiative in 2018. However, it provides only a general assessment since there is no project-based review conducted.</p> <p>Considering the sectoral breakdown of the bank's loan portfolio, Portfolio Impact Analysis Tool identifies "Climate" as well as "Economic Convergence" and Employment" as the areas where the Bank creates a positive impact, and the area of "Resource Efficiency/Security" where it creates a negative impact. ✔ When the Bank's mission and Turkey's needs assessment presented in Portfolio Impact Analysis Tool are considered "Economic Convergence" and "Resource Efficiency/Security" impact areas are selected as the most important areas to be studied within the scope of reporting. ✔</p> <p>In most of the impact areas that are negatively associated within the scope of the Portfolio Impact Analysis Tool, the ERET tool already implemented by the Bank and the subsequent measures applied are effective in managing the risks and keeping these negative impacts to a minimum. The high-risk projects evaluated in 2020 consisted of investment projects of hydroelectric power plants, wind farms, ports and the iron and steel industry. Environmental and social assessment work was carried out for these investments and Environmental and Social Action Plans were established for effective risk management. Investments with medium-sensitive risk include investments in wind energy, solar energy, biomass and biogas energy. Environmental and Social Action Plans has been prepared and monitored also for these investments. (2020 Integrated Annual Report Page 81-82)</p> <p>The "Climate" impact area is evaluated as a medium level need in the country needs assessment within the Portfolio Impact Analysis Tool. However, "Climate" impact area is among TSKB's priority themes, and the Bank has a specifically high positive impact in this area. ✔</p>	<p>2020 Integrated Annual Report Page</p>
--	---	---

Portfolio Impact Analysis Tool's sector impact map mainly associate "Economic Convergence" impact area with the access to the basic services like transportation, health, education, housing and electricity, which are mainly compatible with the Bank's loan portfolio. Furthermore, this impact area is also very closely related with employment, since creation of employment and supporting the companies for their productive investments contribute also to the reducing the income inequalities in the society. Themes such as supporting companies located in less developed sub-regions and women employment, where the Bank is very active, positively affect this impact area regardless of the sector and were considered in determining the target within this scope. High percentage of the Bank's loan portfolio comprises of investment loans which mainly creates employment, also supports the preservation of the existing work places. This impact area is not only supported by the Bank's direct lending activities within widely distributed sectors, it is also supported by the thematic on-lending to financial sector (are also called as APEX banking or wholesale banking) mainly for supporting long term financing needs of SMEs.

Portfolio Impact Analysis Tool put "Resource Efficiency/Security" impact area as negatively associated with the current loan portfolio  because the methodology background links most of the manufacturing sector and energy sector negatively with this impact area, where the Bank is quite active.

Since 2013, TSKB has been supporting efforts to increase resource efficiency in our country's private sector by offering medium- and long-term funding opportunities. To date, the Bank has provided approximately USD 1 billion in financing for a total of 149 projects in the fields of energy and resource efficiency, production processes and waste management to companies in the iron and steel, cement, textile, aluminum, automotive supply and chemical industry.

In this context, The Bank has opted to choose "Resource Efficiency/Security" impact area in its reporting to highlight its active financing on resource efficiency (including energy efficiency) financing in wide spread sectors (industry, energy, tourism, etc.). Since such financing also supports waste minimization, recycling projects and circular economy in general, it also supports another impact area of "Waste". Most of the related indicators are already followed for several years and they will be presented and disclosed further via RBP reporting.

Most of the related indicators of Resource Efficiency have already been monitored and disclosed via sustainability reports periodically for several years. TSKB foresees that resource efficiency will become more important in an environment where climate change becomes increasingly important and will continue to support the financing of clean/green production investments. Resource efficiency supports the transition of the industry to a low carbon economy along with the economic growth.

2020 Integrated Annual
Report
Page 81-89

CDP 2020 Report

UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/ climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

As explained in the Impact Analysis section, via the Portfolio Impact Analysis Tool, the most important impact areas where the Bank can increase its positive impacts and reduce its negative impacts are identified as “Climate”, “Economic Transformation”, “Employment” and “Resource Efficiency and Security”. ✓ When the Bank’s mission and Turkey’s needs assessment presented in Portfolio Impact Analysis Tool are considered, “Economic Convergence” and “Resource Efficiency/Security” impact areas are selected as the most important areas to be studied within the scope of reporting.

In this context, SMART targets and commitments of the Bank within the scope of UNEP FI Principles for Responsible Banking are determined as follows in these two impact areas; ✓

- TSKB targets to provide at least USD 8 billion of SDG-linked financing by 2030.

As an interim target, it is aimed to provide at least USD 3.5 billion of SDG-linked financing by the end of 2025.

Related impact areas: Economic Convergence and Resource Efficiency/Security

- TSKB targets to keep the ratio of SDG-linked loans in the total loan portfolio at least 90% between 2021 and 2025.

Related impact areas: Economic Convergence and Resource Efficiency/Security

- Under SDG 8-Decent Work and Economic Growth: Providing USD 150 million of financing within the scope of SDG 8 in 2021 in order to contribute to boosting the resilience of the companies adversely affected by the Covid-19 pandemic, to address their liquidity needs and to support the sustainability of their activities.

Related impact areas: Economic Convergence

- Under SDG 5-Gender Equality and SDG 8-Decent Work and Economic Growth: Providing USD 200 million of financing to support women employment and support the economy in the developing regions.

Related impact areas: Economic Convergence-

These goals will be further supported by other targets and commitments set by TSKB for the capital items for the upcoming period and included in the 2020 Integrated Annual Report. Among them, the following two commitments stand out:

- TSKB has committed not to finance any newly constructed coal thermal power plant investments in the future.

Related impact areas: Resource Efficiency/Security

- TSKB aims to provide direct and indirect support to companies in their transition towards the EU Green Deal in the coming period.

Related impact areas: Economic Convergence and Resource Efficiency/Security

2020 Integrated Annual
Report
Page 92-95, 112-113

2.3 Plans for Target

Implementation and Monitoring TSKB sets targets within its priority impact areas annually and monitors, manages and reports its performance in these areas via the key performance indicators determined.

Show that your bank has defined actions and milestones to meet the set targets.

SMART targets determined within the scope of UNEP FI Principles for Responsible Banking will be monitored by the relevant working groups, especially by the working group for “Cooperation with International Initiatives on Sustainability” under Bank’s Sustainability Management System. ✓

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

Regarding the determined targets, 5 key performance indicators for the impact area of “Economic Convergence” and 4 key performance indicators in the impact area of “Resource Efficiency/Security” were identified within the scope of the Portfolio Impact Analysis Tool. While determining these indicators, TSKB’s existing performance indicators were used and additional performance indicators were identified according to the new targets determined. These indicators will be monitored in the upcoming period and will be included in the 2021 year-end reporting.

2020 Integrated Annual
Report Page 76-79

2.4 Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Regardless of the UNEP FI Principles for Responsible Banking Reporting, TSKB annually discloses the Bank’s target realizations and future targets in its Integrated Annual Report. TSKB’s 2020 target realizations and 2021 targets within the scope of financial, human, natural, intellectual and social capital elements are provided in the 2020 Integrated Annual Report.

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

2020 Integrated Annual
Report
Page 1, 64-65, 73-75, 92-95,
104-105, 112-113

Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

The Bank will monitor the progress in the implementation of the targets set within the scope of the UNEP FI Principles for Responsible Banking in the upcoming period and will report on the progress made annually.

UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

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 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

TSKB brings together the qualified and sustainable themed global funds that it provides from the supranational financial institutions, development finance institutions and international financial institutions with sustainable investments in Turkish business ecosystem through its corporate loans and project financing activities. In addition, the Bank extends further its area of influence by offering loans to SMEs and exporter companies by wholesale banking (APEX banking).

Given its area of influence, TSKB considers relationships with its customers essential to its success and ability to create long-term value for Turkey's sustainable and inclusive development and works with its customers in adoption of sustainable practices through innovative products, initiatives and knowledge sharing. In addition, the Bank works to maintain high standards of behavior in order to be the business partner that customers consult and prefer as the first choice and continues to develop the Bank's governance culture and accountability mechanisms to ensure the satisfaction of its customers.

In this context, TSKB takes into consideration stakeholder needs and expectations in the process of determining the Bank's focus areas and corporate strategy in long-term value creation for inclusive and sustainable development. TSKB, which contacts its all stakeholder groups including customers within the scope of its business cycle, carries out large-scale stakeholder analysis on a regular basis to align its strategy and priorities in accordance with those of its stakeholders and to provide transparent information in its reportings regarding stakeholder needs and expectations.

In parallel with its mission of supporting Turkey's sustainable and inclusive development, TSKB carries out various awareness, development, education, culture and art projects on themes such as climate change, low-carbon economy, women's participation in production and equal opportunities. At the same time, the Bank reinforces the total value it generates through its long-term projects realized within the scope of Social Responsibility that has become an integrated element of its unique business model.

With these projects, the Bank provides a concrete contribution to the reproduction of similar good examples in the business world, to touch more people's lives and to the development of a productive ecosystem which protects the environment.

2020 Integrated
Annual Report
Page 28-34,
106-113

3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

TSKB offers its customers suitable and diverse financing products through its high-quality investment banking and advisory services and helps its customers in the transition to more sustainable practices and business models. In line with its sustainable and responsible banking approach, the Bank works to develop innovative products, initiatives and information sharing channels for economic, social and environmental development of its customers.

The products used in the field of sustainable finance which has been affected negatively by the Covid-19 pandemic and climate change have not been limited to bonds, and on the contrary, 2020 has been a year in which alternative sustainable financing products such as green loans, ESG (Environment, Social, Governance) linked loans and SDG (Sustainable Development Goals) loans have been used. Distinguishing itself within the finance sector by its unique banking model which provides solutions to tackle the threat of climate change and support the transition to a low-carbon economy as well as which extends sustainability-themed loans, TSKB will continue to increase its efforts by developing new products, both financing and non-financing, for combating climate change and adapting to climate change.

Besides the investment loans, in 2020, the Bank has also focused on the working capital and liquidity needs of the companies adversely affected by the Covid-19 in order to mitigate the effects of the pandemic in line with its sustainable development mission. Under the Covid-19 Credit Line that TSKB obtained from the Asian Investment Infrastructure Bank (AIIB) in July 2020, TSKB will continue further to support the resilience of the companies and the sustainability of their activities. Becoming a humanitarian and socioeconomic crisis, the Covid-19 pandemic has significantly shaped the production, the way of doing business and the economy. In this regard, TSKB will work with its customers operating in the sectors that are highly affected by the pandemic and continue to support its customers by developing its financing and advisory services that will help them to transform their business models.

Moreover, the European Green Deal which sets out ambitious measures and policies in line with the goals of Paris Climate Agreement, is expected to have significant effects on Turkey which has strong trade relations with the EU. In this context, TSKB has announced the establishment of the Green Swan Platform in October 2020 in order to act jointly against the climate change which is the biggest obstacle to sustainable and inclusive development and to raise awareness of climate change. TSKB aims to bring together representatives of the public and private sectors with NGOs, international organizations, academics, students and members of the media under the umbrella of this platform.

2020 Integrated
Annual Report
Page 53, 90-91

UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Reflecting the integrated perspective on its strategy and all business processes, it is important for TSKB to identify and determine the material issues in line with the expectations of its stakeholders. Contacting all stakeholder groups within the scope of its operation cycle, TSKB regularly conducts extensive stakeholder analyses to align its strategic and material issues with the views of its stakeholders and to share information on stakeholder priorities in its reporting process. The results of the stakeholder analysis study provide an important basis for the Bank's integrated reporting activities.

Engagement and sustainable dialogue with stakeholders play a critical role in shaping the Bank's approach to sustainability and these channels provide the Bank to assess the feedbacks that serve as valuable sources of information in the following areas: setting strategic priorities, establishing policies and procedures, reviewing existing collaborations and setting up new collaborations, and development of social responsibility projects.

The identified priorities and materiality matrix of the TSKB management and all stakeholders as a result of the stakeholder analysis study are presented between pages 28-34 of the 2020 Integrated Annual Report. The key material issues are found to be fully in line with TSKB's mission, core objectives and strategies. The materiality analysis underlines that TSKB takes into account the perspectives of sustainability and responsible banking to contemplate with the qualified development of the country, growing in harmony with all stakeholders.

4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

At the same time, the Bank reinforces the total value it generates through its long-term projects realized within scope of Social Responsibility that has become an integrated element of its unique business model. Experience sharing and reporting is a valuable channel through which TSKB provides the opportunity to inform and interact with broad audiences regarding the economic, environmental and social impact it has generated through its banking activities. A summary of TSKB's work in sustainability projects as well as experience sharing and reporting are illustrated between pages 106 and 111 of the 2020 Integrated Annual Report.

TSKB is also a member of national and associations and international initiatives that carry out activities in areas related to its strategy, activities and objectives. The Bank shares its experience within the scope of these memberships, where it undertakes active duties in working groups and cooperates closely with other member institutions. The memberships and working groups that TSKB takes undertakes are illustrated on page 100 of the 2020 Integrated Annual Report. In addition, TSKB is a signatory of many declarations and principles within the scope of its sustainability commitment (Integrated Report page 79). TSKB's participation in these initiatives and declarations contributes positively to the Bank's brand value and internal capacity building as well as presents an opportunity to establish communication and relations with other institutions.

Since TSKB's funding structure is primarily based on the cooperation with the international financial institutions, supranational financial institutions and development finance institutions, the Bank's sustainable and responsible banking performance is of utmost importance in terms of continuity of access to these resources. In this context, the Bank will continue to cooperate with these initiatives and work towards the goals and needs of Turkey. Moreover, TSKB aims to implement pioneering practices in order to increase awareness in the sector by following global trends and good practices among these initiatives.

UNEP FI Principles for Responsible Banking of which TSKB became one of the founding signatories in 2019 will likewise enhance the Bank's capacity and competencies in terms of sustainable and responsible banking. For the purpose of implementing these Principles, TSKB will continue efforts to share knowledge and experiences, especially in the field of impact analysis, and follow good practices. In this line, TSKB is in dialogue and interact directly with other signatory banks from Turkey and a joint press release with these banks has been published in 2020 in order to share their progress and experiences as they have taken the first steps in implementing the Principles.

2020 Integrated
Annual Report
Page 28-34, 79,
100, 106-111

Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Describe the relevant governance structures, policies and procedures your 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.

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

In 2012, TSKB expanded the scope of its Environmental Policy, which was published in 2006, and revised it a Sustainability Policy. As of the end of 2020, the TSKB Sustainability Management System is managed under the Sustainability Policy dated 26 February 2015.

The Bank supports the Sustainability Policy with complementary policies under the environmental, social and governance themes. In the annexe of the TSKB Environmental and Social Impact Policy, one of the complementary policies, a List of Activities Not to be Financed was published, setting out the activities which TSKB would not finance on behalf of responsible banking.

All sustainability work across the organizational structure is managed by the Sustainability Committee, which was established in 2014 and is comprised of three Board Members, the General Manager and two Executive Vice Presidents. In 2020, with the participation of the General Manager of TSKB as a committee member, the Sustainability Committee evolved into a structure that would manage the Bank's targets and strategies under a macro perspective. The members of the Sustainability Committee are appointed through Board decisions. The Committee's mission is the coordination of the work and business plans to be composed in regard to TSKB's sustainability strategy, vision and targets.

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

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

In 2020, sustainability activities at TSKB were conducted by eight different Working Groups affiliated to the Sustainability Subcommittee, which are the following: Gender Equality Working Group, Climate Risks Working Group, ISO Management Standards Working Group, Stakeholders Dialogue Working Group, Reporting Working Group, Social Impact Working Group, Sustainability Index Working Group and Cooperation with International Initiatives on Sustainability Working Group.

Among these working groups, the Cooperation with International Initiatives Working Group, which was established at the end of 2019 and started its activities in 2020, aims to determine the resource requirement for the studies to be carried out in international and supranational financial institutions and organizations that the Bank cooperates with such as IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc. and to organize the work.

The implementation of the UNEP FI Principles for Responsible Banking of which TSKB has become a founding signatory in 2019 is undertaken by this working group which works in coordination and synergy with other working groups, whereas the annual reporting will be carried out with the support of the Reporting Working Group and the follow-up of the targets determined as a result of the impact analysis within the scope of the Principles will be monitored under the responsibility of the related working groups and coordination inside and outside the Bank. The implementation of the UNEP FI Principles for Responsible Banking is well supported by the Bank's decisions, policies, goals, collaborations and memberships within the scope of its Sustainable Management System.

2020 Integrated
Annual Report
Page 76-95

UNEP-FI RESPONSIBLE BANKING PRINCIPLES REPORTING INDEX

5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

TSKB's Sustainability Management System is designed to promote a culture of responsible banking among all its employees through various policies and initiatives. TSKB considers its human resources as the building block of its successful and sustainable performance. For this reason, TSKB places utmost importance on the development of its employees through various training programs as well as measures regularly the level of satisfaction and engagement of its employees and takes action in line with the improvement goals of the work environment and the benefits they provide. Employee development is one of the top priorities for TSKB's management.

All new TSKB employees are trained in the Sustainability Management System and the concept of sustainability concept is institutionalized and interiorized within the Bank. Awareness studies are also carried out with the aim of reducing waste per person. TSKB aims to raise further the sustainability awareness within the Bank in order to enhance the sustainability governance in the entire bank.

The fact that the Sustainability Subcommittee Working Groups under the SMS are composed of representatives from different departments contributes significantly to the development of responsible and sustainable banking culture within the Bank. As of the end of 2020, 15% of TSKB's employees were members of these working groups, ✓ whereas the the Sustainability Committee targets are distributed to every employee involved in this organization and are taken into account within the scope of employee performance evaluation. One of the common goals of the working groups is to organize internal training programs and information meetings in order to ensure the capacity development of all TSKB employees on sustainability.

On the other hand, developing tailored training programs for TSKB employees, strengthening the Bank's processes and information systems, establishing a safe working environment and providing equal opportunities for the development of employees are the initiatives put forward by the Bank for human resource development.

In this context, the Bank carries out various training and development activities in order to improve both technical and professional knowledge of its employees as well as their personal skills and competencies. The average training time per employee was 60 hours in 2020. ✓

TSKB offers its employees a range of different programs each level in order to improve their managerial skills and get them ready for the future. In 2020, a training and development journey was launched for all title groups under the motto of "Be a Partner in the Future". In this context, with the motto "Become a Partner for the Future", department heads were included in the Leadership Development Program, senior managers and managers were included in the Managerial Development Program, and the rest of the banking staff were included in the Competency Development Program. In addition, the Critical Position Backup program was implemented to bring a systematic practice of identifying backups for positions to prepare TSKB for the future. In this context, one-to-one trainings have been carried out in line with the development needs of the employees who would be the substitutes.

In order to carry out practices on an equitable basis without adopting any different approaches in human resources processes, necessary reporting has been also conducted and action plans have been taken in 2020 within the scope of full compliance and responsibilities with the Equal Opportunities Model (FEM) certificate issued by the Women Entrepreneurs Association of Turkey (KAGIDER) which awards companies dedicated gender equality in recruitment, training, career planning and communication. Gender pay equity objectives are incorporated in the Bank's remuneration policy where the gender pay balance is constantly observed. Moreover, in 2020, TSKB has published its Gender Equality Policy in order to set out the principles and responsibilities with regard to the Bank's internal and external practices and strategies for gender equality.

TSKB will continue to invest in human resources and its development with determination and with an approach that takes into account the requirements of its corporate strategy. Paying importance to gender equality throughout the Bank and acting in accordance with the principle of gender equality in human resources practices are among the 2021 targets.

2020 Integrated
Annual Report
Page 66-75

<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target-setting and actions to achieve targets set</p> <p>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>In light of the information provided above, the Bank's Sustainability Management System supports the implementation of the Principles.</p> <p>All sustainability work across the organizational structure is managed by the Sustainability Committee, which was established in 2014 and is comprised of three Board Members, the General Manager and two Executive Vice Presidents. In 2020, with the participation of the General Manager of TSKB as a Committee member, the Sustainability Committee evolved into a structure that would manage the Bank's objectives and strategies from a macro perspective. The members of the Sustainability Committee are appointed through Board decisions. The Committee's mission is the coordination of the work and business plans to be composed in regard to TSKB's sustainability strategy, vision and targets.</p> <p>The activities of the Sustainability Committee are supported by the Sustainability Subcommittee which was established to roll out sustainability operations to the entire Bank and integrate them with all business processes in parallel with the vision, strategy, goals and business plans of the Bank on sustainability and climate change. Composed of the managers and employees of various departments, Sustainability Subcommittee reports its activities to the TSKB Sustainability Committee.</p> <p>In 2020, sustainability activities at TSKB were conducted by eight different Working Groups affiliated to the Sustainability Subcommittee. Among these working groups, the Cooperation with International Initiatives on Sustainability Working Group which was established in 2019 and started its operations in 2020, aims to determine the resource requirement for the studies to be carried out in international and supranational financial institutions and organizations that the Bank cooperates with such as IDFC, UNEP-FI, TCFD, UN Global Compact, IIF, ELTI, LTIC, I4CE, ADFIMI, etc. and to organize the work.</p> <p>The implementation of the UNEP FI Principles for Responsible Banking of which TSKB has become a founding signatory in 2019 is undertaken by this working group which works in coordination and synergy with other working groups, whereas the annual reporting will be carried out with the support of the Reporting Working Group and the follow-up of the targets determined as a result of the impact analysis within the scope of the Principles will be monitored under the responsibility of the related working groups and coordination inside and outside the Bank. The implementation of the UNEP FI Principles for Responsible Banking is well supported by the Bank's decisions, policies, goals, collaborations and memberships within the scope of its Sustainable Management System.</p> <p>In the event of targets not being achieved or unexpected negative impacts being detected, the Cooperation with International Initiatives on Sustainability Working Group will inform along with the relevant working groups the members of the Sustainability Committee and Sustainability Subcommittee in light of the findings from the in-depth examination and assessment and will carry out studies in order to define and set out remedial action plans. The Bank will also share further developments in the subject areas as well as report on the progress of implementation of the previously adopted action plans in the next reporting period.</p>	<p>2020 Integrated Annual Report Page 76-95</p>
---	--	---

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 on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/ is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

A comprehensive summary of TSKB's progress on implementing the Principles for Responsible Banking is given in the Annex of the 2020 Integrated Annual Report (2020 Integrated Annual Report page 533-546)

TSKB's oriented contribution to the inclusive and sustainable development is reviewed with its economic, social and environmental dimensions and analyzed in different parts of the report. TSKB reviews, analyses and reports the update outputs of its operations, its plans and targets to its stakeholders with an integrated point of view.

The Integrated Annual Report, where the performance disclosures are presented mainly in the context of "GRI Standards" indicators, is also a reference for the Principles for Responsible Banking Reporting. The Principles for Responsible Banking Initiative of the United Nations Environment Program Finance Initiative (UNEP FI) which is one of the most prominent movements in disclosing non-financial information in financial services has published a comprehensive guideline document on non-financial reporting in 2020. Through this study entitled Principles for Responsible Banking Reporting, the signatories of the Principles are provided with guidance on non-financial reporting and the principles of the initiative. Within this report, the compliance with GRI Standards is also regarded.

TSKB is responsible to review its progress periodically on implementing the Principles and be transparent and accountable for its positive and negative impacts. Realizing its first UNEP FI Principles for Responsible Banking reporting in 2020, TSKB commits to report on annual basis its UNEP FI PRB Reporting.

TSKB has carried out sustainability and integrated reporting for 10 years. TSKB has inspired numerous companies, especially in the banking sector, to integrate sustainability in business cycles and to pursue transparent stakeholder communication. TSKB, which started to issue sustainability reports in 2009, has been publishing Carbon Disclosure Project (CDP) Climate Change Reports since 2013 and Integrated Annual Reports since 2018. 🟢 The reporting journey of TSKB in parallel with its sustainable banking activities is given on page 85 of the 2020 Integrated Annual Report.

TSKB voluntarily discloses its greenhouse gas emissions and strategies to combat climate change within the scope of the CDP. TSKB, which has received the leadership award on climate in recent years, maintained its success in 2020, when the global Industry average was C. With its B rating, TSKB confirmed that the Bank was on its way towards realizing its ambitious targets in the field of sustainable development.

The Bank closely follows up developments, good practices and reporting trends related to international standards and carries out improvements to its reporting by taking into account stakeholder feedback.

Climate change poses financial risks to the banking sector but also presents a variety of opportunities. From this point on, a Climate Risks Working Group was established within the sustainability structure in 2020. The Group is working to measure, manage and integrate the Bank's financial risks from climate change into the bank risk model. In 2020, the Climate Risks Working Group represented TSKB in the Phase 2 Banking Pilot Program of the UNEP-FI Task Force for Climate-Related Financial Disclosures (TCFD), in which TSKB was the only participant from Turkey, and carried out work in line with the TCFD recommendations. 🟢 The Working Group has developed capacity and carried out various activities for the determination, measurement and reporting of portfolio risks within the framework of both physical and transition risks. TSKB will continue its work in line with the TCFD's recommendations in the coming period.

2020 Integrated
Annual Report
Page 1, 76-95,
533-546

2020 CDP Report

GRI INDEX

GRI DISCLOSURE: For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

TSKB - GRI INDEX - CORE

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GRI 102: GENERAL DISCLOSURES 2016		
GRI 102: GENERAL DISCLOSURES 2016	ORGANIZATIONAL PROFILE	
	102-1	Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)
	102-2	Page: 10
	102-3	Head Office Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul
	102-4	Turkey
	102-5	Page: 4-5 https://www.tskb.com.tr/en/investor-relations/bank-information/articles-of-association
	102-6	TSKB's business area is Turkey.
	102-7	Page: 4-5, 11
	102-8	Page: 71, 74-75
	102-9	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf
	102-10	There were no significant changes during the reporting period.
	102-11	Page: 131-133
	102-12	Page: 78-81
	102-13	Page: 78-81
	STRATEGY	
	102-14	Page: 18-19 / Chairman's Message
		Page: 20-23 / CEO's Assessment
	102-15	Page: 84, 88-89
	ETHICS AND INTEGRITY	
	102-16	https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies
	102-17	https://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies
	GOVERNANCE	
	102-18	Page: 116-121
	102-19	Page: 76-77
	102-20	Page: 76-77
	102-21	Page: 76-77
	102-22	Page: 116-119 http://www.tskb.com.tr/en/investor-relations/bank-information/board-of-directors-senior-management http://www.tskb.com.tr/en/investor-relations/bank-information/committees
	102-23	The Chairman of the Board of Directors has no executive duty.
	102-24	Regarding the minimum qualities to be sought in appointments to Board Member, the Bank acts in accordance with the provisions of Banking legislation, Turkish Commerce Code and the regulations of Capital Markets Board.
	102-25	Page: 124-127 http://www.tskb.com.tr/i/assets/document/pdf/Disclosure%20Policy.pdf

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
GRI 102: GENERAL DISCLOSURES 2016	102-26	Page: 124-127
	102-27	Page: 124-127
	102-28	Page: 124-127
	102-29	Page: 124-127
	102-30	Page: 124-127
	102-31	Page: 124-127
	102-32	Page: 76-77
	102-33	Page: 124-127
	102-34	Page: 124-127
	102-35	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf
	102-36	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf
	102-37	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf
	102-38	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf
	102-39	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_Remuneration_Policy.pdf
	STAKEHOLDER ENGAGEMENT	
	102-40	Page: 28-30
	102-41	There is no collective bargaining application in TSKB.
	102-42	Page: 28-34
	102-43	Page: 28-34
	102-44	Page: 28-34
	REPORTING	
	102-45	The report is prepared on unconsolidated basis. The activities of TSKB's subsidiaries are not included.
	102-46	Page: 1
	102-47	Page: 30-34
	102-48	There is no restated information.
	102-49	There are no significant changes from previous reporting periods in the list of material topics and topic boundaries.
	102-50	01.01.2020-31.12.2020
	102-51	2019
	102-52	Annual
	102-53	Özen Çaylı Tel: +90 212 334 52 49 Özen Çaylı <HALILOGLUO@tskb.com.tr>
	102-54	This report is prepared in accordance with GRI Standards-Core option.
	102-55	Page: 547
	102-56	Page: 142-147

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
	EKONOMIC PERFORMANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
GRI 201: EKONOMIC PERFORMANCE 2016	201-1	Page: 8-9, 11
	201-2	Page: 84, 86-89
	201-3	Page: 201-202
	201-4	There is no financial assistance received from government during the reporting period.
	MARKET PRESENCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
GRI 202: MARKET PRESENCE 2016	202-1	In TSKB, the standard entry level wage of all employees is above the local minimum wage.
	202-2	All members of TSKB senior management are Turkish Republic citizens.
	INDIRECT ECONOMIC IMPACTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	203-2	Page: 8-9
	PROCUREMENT PRACTICES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf
GRI 204: PROCUREMENT PRACTICES 2016	204-1	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
	ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf
GRI 205: ANTI-CORRUPTION 2016	205-1	http://www.tskb.com.tr/i/assets/document/pdf/TSKB_anti_bribery_and_anti_corruption_policy.pdf Page: 135-137
	205-3	There are no confirmed incidents of corruption during the reporting period.
	ANTI-COMPETITIVE BEHAVIOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf
	103-3	https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	206-1	There are no legal actions for anti-competitive behavior, anti-trust, and monopoly practices during the reporting period.
GRI 300: ENVIRONMENTAL STANDARD SERIES		
	ENERGY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
	103-3	https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
GRI 302: ENERGY 2016	302-1	Page: 86-87, 93
	302-2	Page: 86-87, 93
	302-3	Page: 86-87, 93
	302-4	Page: 86-87, 93
	WATER	
GRI 103: MANAGEMENT APPROACH 2018	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
		https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
		https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
GRI 303: WATER 2018	303-1	Page: 86-87, 93
	303-2	There are no water sources significantly affected by withdrawal of water.
	303-3	Page: 86-87, 93
	EMISSIONS	

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
		Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
GRI 305: EMISSIONS 2016	305-1	86-87, 93
	305-2	86-87, 93
	305-3	86-87, 93
	305-4	86-87, 93
	305-5	86-87, 93
EFFLUENTS AND WASTE		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
		Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
GRI 306: EFFLUENTS AND WASTE 2016	306-1	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-2	86-87, 93
	306-3	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-4	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
	306-5	The disclosure is omitted because it is not directly related with TSKB's business activities and operations.
ENVIRONMENTAL COMPLIANCE		

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment https://www.tskb.com.tr/i/assets/document/pdf/TSKB-ENVIRONMENTAL-AND-SOCIAL-IMPACT-POLICY.pdf
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There are no significant fines or sanctions in the reporting period. Page: 130
SUPPLIER ENVIRONMENTAL ASSESSMENT		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31 http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf
	103-2	TSKB works closely with its suppliers in order to manage the environmental and social impact of its supply chain operations. Suppliers are supported in their efforts to improve their own environmental and social sustainability performance. Such matters will be dealt with as called for in TSKB's Sustainable Procurements Management Policy.
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Sustainable-Procurements-Management-Policy.pdf
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	Although the suppliers are expected to pay attention to their environmental impact, there are no suppliers that were screened using environmental criteria.
GRI 400: SOCIAL STANDARD SERIES		
EMPLOYMENT		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
GRI 401: EMPLOYMENT 2016	401-1	Total number of new employees hired in 2020 is 46. Page: 69
	401-2	All TSKB employees are working on full-time basis.
LABOR/MANAGEMENT RELATIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
GRI 402: LABOR/ MANAGEMENT RELATIONS 2016	402-1	TSKB is fully compliant with current laws and regulations about this subject in Turkey.

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: MANAGEMENT APPROACH 2018	103-1	Page: 28-31
	103-2	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/Tskb-Occupational-Health-and-Safety-Policy.pdf
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-2	There are no injury, occupational diseases, lost days, and absenteeism, and workrelated fatalities during the reporting period.
	403-3	As per the nature of its activities, TSKB's employees are not subject to high risk of injury or occupational diseases.
TRAINING AND EDUCATION		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
GRI 404: TRAINING AND EDUCATION 2016	404-1	Page: 69-71
	404-2	Page: 69-71
DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
		http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Page: 69-71
	405-2	There is no gender-based wage discrimination in TSKB.
NON-DISCRIMINATION		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf
	103-3	Page: 66-75 http://www.tskb.com.tr/en/sustainable-banking/tskb-surdurulebilirlik-yonetim-organizasyonu/our-sustainability-policy http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
GRI 406: NON-DISCRIMINATION 2016	406-1	There are no incidents of discrimination during the reporting period.

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 66-75
	103-3	Page: 66-75
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	TSKB respects the right of collective bargaining. During the reporting period, TSKB had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights.
	CHILD LABOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
GRI 408: CHILD LABOR 2016	408-1	TSKB does not employ child labor in any way. TSKB expects all of its suppliers comply with age restrictions mentioned on related laws and regulations.
	FORCED OR COMPULSORY LABOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
GRI 409: FORCED OR COMPULSORY LABOR 2016	409-1	There are no activities and operations at TSKB with significant risk for incidents of forced or compulsory labor. TSKB expects all of its suppliers do not employ forced or compulsory labor in any case.
	HUMAN RIGHTS ASSESSMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
	103-3	http://www.tskb.com.tr/i/assets/document/pdf/TSKB-Human-Rights-Policy.pdf
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-1	None.
	CUSTOMER PRIVACY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf
	103-3	https://www.tskb.com.tr/i/assets/document/pdf/TBB_Principles_of_Banking_Ethics(1).pdf
GRI 418: CUSTOMER PRIVACY 2016	418-1	There are no complaints concerning breaches of customer privacy and losses of customer data.

GRI STANDARD	NUMBER	PAGE NUMBER/DIRECT REFERENCE
FINANCIAL SECTOR SUPPLEMENT		
	PRODUCT PORTFOLIO	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
FINANCIAL SECTOR SUPPLEMENT	FS6	Page: 46-49, 55-56, 64-65
	FS7	Page: 46-49, 55-56, 64-65
	FS8	Page: 46-49, 55-56, 64-65
	ACTIVE OWNERSHIP	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 28-31
	103-2	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
	103-3	Page: 18-19 / Chairman's Message Page: 20-23 / CEO's Assessment
FINANCIAL SECTOR SUPPLEMENT	FS10	Page: 46-49, 55-56, 64-65
	FS11	Page: 46-49, 55-56, 64-65

STATEMENT OF RESPONSIBILITY

2 March 2021

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

STATEMENT OF RESPONSIBILITY REGARDING 2020 INTEGRATED ANNUAL REPORT

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 01.01.2020 - 31.12.2020 comprising financial and non-financial information, key performance indicators and targets; Corporate Governance Compliance Report and Corporate Governance Information Form 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 and Corporate Governance Information Form do not include any deficiency or any untrue statement.

Sincerely,
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

Chairperson of Audit
Committee

Mahmut Magemizoğlu

Audit Committee Member

Gamze Yalçın

Executive Vice President
responsible for Financial
Reporting

Aziz Ferit Eraslan

Executive Vice President
responsible for Investor
Relations

Meral Murathan

Head of Financial Institutions
and Investor Relations
Department

Ayşe Nazlıca

DIRECTORY

TSKB HEADQUARTERS

Meclisi Mebusan Cad. No: 81 Fındıklı 34427 İstanbul, TURKEY

Phone: (90 212) 334 50 50

Fax: (90 212) 334 52 34

Ankara Branch

Aziye Mahallesi, Piyade Sok., B Blok, No: 3/7, Çankaya, Ankara, TURKEY

Phone: (90 312) 441 75 22

Fax: (90 312) 441 75 66

Financial Institutions and Investor Relations

Phone: (212) 334 51 00

Web: www.tskb.com.tr

BIST Kodu: TSKB

SWIFT Code: TSKBTRIS

EFT Code: 0014

Trade Registry Number: 42527

Integrated reporting consultancy, content development,
Turkish editing, design. and printing

TAYBURN®

T: +90 212 227 0436
www.tayburnkurumsal.com
Brands & Reputations.

Integrated reporting strategic consultancy
and stakeholder analysis

 **escarus**
TSKB Sürdürülebilirlik Danışmanlığı

T: +90 212 334 5460
www.escarus.com

