

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Unconsolidated Financial Statements  
As of and For the Year Ended  
31 December 2019  
With Independent Auditors' Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*



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#### ***INDEPENDENT AUDITOR'S REPORT***

To the shareholders of Türkiye Kalkınma ve Yatırım Bankası A.Ş.

#### **A) Audit of Unconsolidated Financial Statements**

##### *Opinion*

We have audited the unconsolidated financial statements of Türkiye Kalkınma ve Yatırım Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2019 and the unconsolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity, cash flows for the year then ended, and unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

##### *Basis for Opinion*

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These 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.

### Impairment of loans measured at amortised cost

Refer to Section III, Note VIII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans measured at amortised cost.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2019, loans comprise 78% of Bank's total assets.</p> <p>The Bank recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2019, due to the new adoption of the Standard, in determining the impairment of financial assets the Bank started to apply "expected credit loss model" instead of the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> <li>• determination of significant increase in credit risk since initial recognition of loans in financial statements.</li> <li>• incorporating the forward looking macroeconomic information in calculation of credit risk</li> <li>• design and implementation of expected credit loss model.</li> </ul> <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank estimates expected credit losses on a collective basis. Collective provisions consider the estimated future expectations and the past and current data sets.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the management estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for auditing the impairment of loans measured at amortised cost include below:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard.</li> <li>• We evaluated the model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis by the involvement of specialist.</li> <li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated by including forward looking information and macroeconomic expectations.</li> <li>• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. We recalculated the expected credit loss calculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li> <li>• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>• We evaluated the subjective and objective criteria which are used in determining the significant increase in credit risk.</li> <li>• We evaluated the adequacy of the disclosures in the unconsolidated financial statements related to impairment provisions.</li> </ul>

### *Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 unconsolidated financial statements that are 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.

### *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Auditing Regulation and Standards on Auditing issued by POA 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 unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment 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 auditors' 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 auditors' 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 unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' 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.

#### B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



Erdal Tıkmak  
Partner, SMMM

14 February 2020  
İstanbul, Turkey

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**THE UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2019**

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The unconsolidated financial report for the year-end prepared in accordance with the “Communiqué on Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, consists of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE BANK
- DISCLOSURES AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and notes included in this report are prepared, unless otherwise stated, in **Thousand Turkish Liras**, in accordance with the Procedures And Principles Regarding Banks' Accounting Practices and Maintaining Documents, Turkish Financial Reporting Standards and the related appendices and interpretations and our Bank's financial records, and they have been independently audited and enclosed.

**Hayrettin DEMİRCAN**  
Chairman of the Board

**İbrahim H. ÖZTOP**  
CEO and Board Member

**Dr. Turgay GEÇER**  
Chairman of Audit  
Committee

**Kemal Çağatay İMİRĞİ**  
Chairman of Audit  
Committee (By Proxy)

**Murat ZAMAN**  
Member of Audit  
Committee

**Dr. Hakan ERTÜRK**  
Member of Audit  
Committee

**Satı BALCI**  
Assistant General Manager  
Responsible for Financial Reporting

**Aydın TOSUN**  
Head of Financial Affairs

**Information on the authorized personnel to whom questions related to this financial report may be directed:**

Name Surname/Title : Atila ALPTEKİN / Finance Manager  
Tel No : 0 216 - 636 88 87

## SECTION ONE General Information

<b>I.</b>	Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles	1
<b>II.</b>	Capital Structure of the Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes about These Issues During the Year And Disclosures about the Group	1
<b>III.</b>	Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any	2-3
<b>IV.</b>	Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank	3
<b>V.</b>	Summary of Functions and Lines of Activities of the Bank	3
<b>VI.</b>	Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted From Equity or Not Subject to Any of These Three Methods	3
<b>VII.</b>	Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between the Bank and Its Subsidiaries	3

## SECTION TWO Unconsolidated Financial Statements

<b>I.</b>	Balance Sheet	5-8
<b>II.</b>	Statement of Off-Balance Sheet Accounts	9-10
<b>III.</b>	Statement of Profit or Loss	11-12
<b>IV.</b>	Statement of Profit or Loss and Other Comprehensive Income	13-14
<b>V.</b>	Statement of Changes in Shareholders' Equity	15-16
<b>VI.</b>	Statement of Cash Flows	17-18
<b>VII.</b>	Statement of Profit Distribution	19

## SECTION THREE Accounting Policies

<b>I.</b>	Explanations on Basis of Presentation	20
<b>II.</b>	Basis of valuation used in the preparation of financial statements	20
<b>III.</b>	Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions	21
<b>IV.</b>	Explanations on Derivative Instruments	21
<b>V.</b>	Explanations on Interest Income and Expenses	22
<b>VI.</b>	Explanations on Fees and Commission Income and Expenses	22
<b>VII.</b>	Explanations on Financial Assets	22-25
<b>VIII.</b>	Explanations on Impairment of Financial Assets	25-28
<b>IX.</b>	Explanations on Offsetting of Financial Assets and Liabilities	29
<b>X.</b>	Explanations on Sales and Repurchase Agreements and Lending of Securities	29
<b>XI.</b>	Explanations on Assets Held For Sale and Discontinued Operations	29
<b>XII.</b>	Explanations on Goodwill and Other Intangible Assets	30
<b>XIII.</b>	Explanations on Tangible Fixed Assets	30-31
<b>XIV.</b>	Explanations on Leasing Transactions	31-32
<b>XV.</b>	Explanations on Provisions and Contingent Liabilities	32
<b>XVI.</b>	Explanations on Employee Benefit Liabilities	32
<b>XVII.</b>	Explanations on Taxation	33-34
<b>XVIII.</b>	Additional Explanations on Borrowings	35
<b>XIX.</b>	Explanations on Shares Issued	35
<b>XX.</b>	Explanations on Bill Guarantees and Acceptances	35
<b>XXI.</b>	Explanations on Government Incentives	35
<b>XXII.</b>	Explanations on Segment Reporting	35-36
<b>XXIII.</b>	Explanations on Other Matters	37-40
<b>XXIV.</b>	Explanations on prior period accounting policies that are not valid in the current period	41-42

**SECTION FOUR**  
**Information on Financial Structure and Risk Management**

<b>I.</b>	Explanations Related to Capital Adequacy Ratio	43-57
<b>II.</b>	Explanations Related to Credit Risk	58-68
<b>III.</b>	Explanations Related to Currency Risk	68-70
<b>IV.</b>	Explanations Related to Interest Rate Risk	71-74
<b>V.</b>	Explanations Related to Equity Securities in Banking Book	75
<b>VI.</b>	Liquidity Risk Management and Liquidity Coverage Ratio	75-82
<b>VII.</b>	Explanations Related to Leverage Ratio	83
<b>VIII.</b>	Explanations Related to the Presentation of Financial Assets and Liabilities at Fair Values	84-86
<b>IX.</b>	Explanations Related to the Transactions Made on Behalf of Others and Items Held in Trust	86
<b>X.</b>	Explanations Related to Risk Management	86-114

**SECTION FIVE**  
**Explanations and Notes Related to the Unconsolidated Financial Statements**

<b>I.</b>	Explanations and Notes Related to Assets	115-132
<b>II.</b>	Explanations and Notes Related to Liabilities	133-139
<b>III.</b>	Explanations and Notes Related to Off-Balance Sheet Accounts	139-141
<b>IV.</b>	Explanations and Notes Related to Statement of Profit or Loss	142-147
<b>V.</b>	Explanations and Notes Related to Statement of Changes in Shareholders' Equity	147
<b>VI.</b>	Explanations and Notes Related to Cash Flows Statement	148
<b>VII.</b>	Explanations Related to Risk Group of the Bank	149-150
<b>VIII.</b>	Explanations Related to Domestic, Foreign, Off-shore Branches and Representative Offices Abroad	150

**SECTION SIX**  
**Other Explanations**

<b>I.</b>	Other Explanations on Operations of the Bank	151
<b>II.</b>	Explanations Related to Subsequent Events	151

**SECTION SEVEN**  
**Independent Auditors' Report**

<b>I.</b>	Explanations on Independent Auditors' Report	152
<b>II.</b>	Explanations and Notes Prepared by Independent Auditor	152

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****For the Year Ended 31 December 2019**

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

**SECTION ONE****GENERAL INFORMATION****I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles:**

The Bank was established on 27 November 1975 according to the Decree Based on Law numbered 13 as a related institution of the Ministry of Trade and Technology with the legal title of "Devlet Sanayi ve İşçi Yatırım Bankası A.Ş.". Some adjustments were made on the status of the Bank with the Decree Based on Law numbered 165 dated 14 November 1983.

On 15 July 1988, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Law numbered 329 and in parallel with the developments in its activities. The Bank had become a development and investment bank that provides financing support to companies in tourism sector as well as trade sector by taking over T.C. Turizm Bankası A.Ş. with all of its assets and liabilities with the decision of Supreme Planning Council dated 20 January 1989 and numbered 89/T-2. Also with the Decree Law numbered 401 dated 12 February 1990, some of the articles related to the Bank status were changed.

With the Law dated 14 October 1999 and numbered 4456, Decree Law numbered 13, 165, 329 and 401 were revoked and the establishment and operating principles of the Bank were rearranged.

Türkiye Kalkınma ve Yatırım Bankası A.Ş. Law dated 24 October 2018 and numbered 7147 was abolished and the Law dated 14 October 1999 and numbered 4456 was revoked. The Bank's name was changed to Türkiye Kalkınma ve Yatırım Bankası A.Ş with the law numbered 7147.

**II. Capital Structure of the Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes about These Issues During the Year And Disclosures about the Group:**

The capital ceiling of the Bank which is subject to registered capital system is TL 2.500.000. The issued capital within the registered capital is TL 850.000 (The Bank's capital consist of 85 Billion shares with par value of TL 0,01 each), and the shareholders and their shares in the issued capital are shown below:

<b>Shareholders</b>	<b>Share Amount</b> ( <b>Thousand</b> <b>TL</b> )	<b>Share Capital</b> ( <b>Thousand</b> <b>TL</b> )	<b>Unpaid Capital</b> ( <b>Thousand</b> <b>TL</b> )
	<b>Share (%)</b>	<b>TL</b>	<b>TL</b>
Treasury	842.194	99,08	842.194
Other Shareholders <sup>(*)</sup>	7.806	0,92	7.806
<b>Total</b>	<b>850.000</b>	<b>100,00</b>	<b>850.000</b>

(\*) Includes all shareholders and shares of these shareholders are traded in Borsa İstanbul. Therefore, number of shareholders can't be known.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****For the Year Ended 31 December 2019**

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

**SECTION ONE (continued)****GENERAL INFORMATION (continued)**

**1. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any:**

**Chairman and Members of the Board of Directors (\*):**

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Hayrettin DEMİRCAN	Chairman of the Board	13.12.2018	Bachelor's Degree	32
Dr. Hakan ERTÜRK	Member of the Board (By.Proxy)	13.12.2018	Doctorate	19
İbrahim H. ÖZTOP	CEO and Board Member	13.12.2018	Master's Degree	24
Murat ZAMAN	Board Member	05.11.2019	Master's Degree	17
Dr. Turgay GEÇER	Board Member	27.05.2019	Doctorate	28
Salim Can KARAŞIKLI	Board Member	13.12.2018	Bachelor's Degree	25
Kemal Çağatay İMİRĞİ	Board Member	13.12.2018	Master's Degree	19

**General Manager, Assistant General Managers:**

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
İbrahim H. ÖZTOP	General Manager / All areas	16.08.2018	Master's Degree	24
Zekai İŞILDAR	AGM/ Loan Operations, Treasury and Capital Market Operations, HR Management, Human Resources System and Strategy, Support Services	30.01.2009	Bachelor's Degree	32
Sati BALCI (*)	AGM/ Financial Analysis and Valuation, Engineering, Economic Research, Subsidiaries, Corporate Relations and Sustainability	07.11.2017	Bachelor's Degree	31
Ufuk Bala YÜCEL	AGM/ Loan Allocation, Loan Monitoring, Legal Affairs	01.02.2019	Master's Degree	32
Seçil KIZILKAYA YILDIZ (*)	AGM/ Mergers and Acquisition Advisory, Capital Markets Advisory, Financial Advisory, Turkey Development Fund	08.03.2019	Bachelor's Degree	21
Özgür MARAŞ	AGM/ Corporate Banking and Project Finance, Customer Value Management and Business Development, Financial Affairs, Budget Cost Management and Reporting, IT System and Infrastructure, IT Application Development	17.04.2019	Bachelor's Degree	25
Emine Özlem CİNEMRE	AGM/ Treasury, Financial Institutions, Development Finance Institutions	20.05.2019	Bachelor's Degree	21
Burak DEDELER	AGM/ Turkey Development Fund	08.01.2020	Master's Degree	23

(\*)With the organizational change made on 13.01.2020; Subsidiaries, Corporate Relations and Sustainability, Financial Affairs, Loan Operations have been connected to Treasury and Capital Market Operations Units Deputy General Manager Sati BALCI; Financial Analysis and Valuation, Engineering have been connected to Economic Research Units Deputy General Manager Seçil KIZILKAYA YILDIZ.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION ONE (continued)****GENERAL INFORMATION (continued)****III. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any:****Chief Internal Inspector:**

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Dr. Kaan Ramazan ÇAKALI	Chief Internal Inspector	27.05.2019	Doctorate	17

Executives mentioned above do not own any shares of the Bank in the part which is not publicly traded.

**IV. Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank:**

Republic of Turkey Ministry of Treasury and Finance owns 99,08% of the shares of the Bank.

**V. Summary of Functions and Lines of Activities of the Bank:**

An investment and development bank of Türkiye Kalkınma ve Yatırım Bankası A.Ş.'s operating areas; in line with our country's development goals, using modern development and investment banking tools, supporting investments and projects for sustainable growth, ensuring the efficient use of capital and fund resources, financing domestic, international and international joint investments, and profit partnership or lease-based loan transactions, to ensure that all development and investment banking functions can be performed in a competitive, dynamic and effective manner.

**VI. Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods:**

Since Kalkınma Yatırım Menkul Değerler A.Ş. which is the subsidiary of the Bank is in liquidation process, the Bank has lost control over its subsidiary in accordance with the related provisions of TAS and TFRS and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been reclassified to financial assets measured at fair value through other comprehensive income.

The Bank does not prepare consolidated financial statements since there is no financial associates and due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS).

**VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries:**

As explained above, Kalkınma Yatırım Menkul Değerler A.Ş. is in liquidation process, and transfer of equity is expected to be made at the end of the liquidation process.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

- I.** Balance sheet (Statement of Financial Position)
- II.** Statement of off-balance sheet accounts
- III.** Statement of profit or loss
- IV.** Statement of profit or loss and other comprehensive income
- V.** Statement of changes in shareholders' equity
- VI.** Statement of cash flows
- VII.** Statement of profit distribution

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Balance Sheet (Statement of Financial Position)**

**As of 31 December 2019**

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

ASSETS	Note	AUDITED CURRENT PERIOD (31/12/2019)		
		TL	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>	(1)	<b>2.114.710</b>	<b>1.128.037</b>	<b>3.242.747</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>1.656.432</b>	<b>807.463</b>	<b>2.463.895</b>
1.1.1 Cash and Balances with Central Bank		595	-	595
1.1.2 Banks		1.602.105	740.977	2.343.082
1.1.3 Money Markets		61.019	66.486	127.505
1.1.4 Expected Credit Loss (-)		7.287	-	7.287
<b>1.2 Financial Assets Measured at Fair Value Through Profit or Loss</b>		-	<b>90.216</b>	<b>90.216</b>
1.2.1 Government Securities		-	-	-
1.2.2 Equity Securities		-	90.216	90.216
1.2.3 Other Financial Assets		-	-	-
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>		<b>458.278</b>	<b>230.358</b>	<b>688.636</b>
1.3.1 Government Securities		440.129	217.310	657.439
1.3.2 Equity Securities		8.037	-	8.037
1.3.3 Other Financial Assets		10.112	13.048	23.160
<b>1.4 Derivative Financial Assets</b>		-	-	-
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss		-	-	-
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)</b>	(2)	<b>278.894</b>	<b>15.690.162</b>	<b>15.969.056</b>
<b>2.1 Loans</b>		<b>466.503</b>	<b>14.661.269</b>	<b>15.127.772</b>
<b>2.2 Lease Receivables</b>		<b>70</b>	-	<b>70</b>
<b>2.3 Factoring Receivables</b>		-	-	-
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>		<b>37.320</b>	<b>1.028.893</b>	<b>1.066.213</b>
2.4.1 Government Securities		37.320	1.028.893	1.066.213
2.4.2 Other Financial Assets		-	-	-
<b>2.5 Expected Credit Loss (-)</b>		<b>224.999</b>	-	<b>224.999</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(3)	-	-	-
<b>3.1 Held for Sale Purpose</b>		-	-	-
<b>3.2 Related to Discontinued Operations</b>		-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>	(4)	<b>15.960</b>	-	<b>15.960</b>
<b>4.1 Associations (Net)</b>		<b>15.960</b>	-	<b>15.960</b>
4.1.1 Associates Accounted Based on Equity Method		-	-	-
4.1.2 Unconsolidated Financial Subsidiaries		15.960	-	15.960
<b>4.2 Subsidiaries (Net)</b>		-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
<b>4.3 Joint Ventures (Net)</b>		-	-	-
4.3.1 Joint Ventures Accounted Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	(5)	<b>94.797</b>	-	<b>94.797</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(6)	<b>2.085</b>	-	<b>2.085</b>
<b>6.1 Goodwill</b>		-	-	-
<b>6.2 Other</b>		2.085	-	2.085
<b>VII. INVESTMENT PROPERTY (Net)</b>	(7)	<b>850</b>	-	<b>850</b>
<b>VIII. CURRENT TAX ASSET</b>	(8)	-	-	-
<b>IX. DEFERRED TAX ASSET</b>	(9)	-	-	-
<b>X. OTHER ASSETS</b>	(10)	<b>20.785</b>	<b>29.638</b>	<b>50.423</b>
<b>TOTAL ASSETS</b>		<b>2.528.081</b>	<b>16.847.837</b>	<b>19.375.918</b>

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The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Balance Sheet (Statement of Financial Position)**

**As of 31 December 2019**

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

ASSETS	Note	AUDITED PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>				
<b>1.1 Cash and Cash Equivalents</b>	(1)	<b>1.190.129</b>	<b>705.518</b>	<b>1.895.647</b>
1.1.1 Cash and Balances with Central Bank		<b>1.056.965</b>	<b>570.345</b>	<b>1.627.310</b>
1.1.2 Banks		1.430	-	1.430
1.1.3 Money Markets		100.819	318.710	419.529
<b>1.2 Financial Assets Measured at Fair Value Through Profit or Loss</b>		954.716	251.635	1.206.351
1.2.1 Government Securities		-	270	270
1.2.2 Equity Securities		-	270	270
1.2.3 Other Financial Assets		-	-	-
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>		<b>83.748</b>	<b>134.903</b>	<b>218.651</b>
1.3.1 Government Securities		65.604	52.746	118.350
1.3.2 Equity Securities		8.037	-	8.037
1.3.3 Other Financial Assets		10.107	82.157	92.264
<b>1.4 Financial Assets Measured at Amortised Cost</b>		<b>49.416</b>	-	<b>49.416</b>
1.4.1 Government Securities		49.416	-	49.416
1.4.2 Other Financial Assets		-	-	-
<b>1.5 Derivative Financial Assets</b>		-	-	-
1.5.1 Derivative Financial Assets Measured at Fair Value through Profit/Loss		-	-	-
1.5.2 Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income		-	-	-
<b>II. LOANS (NET)</b>	(2)	<b>427.305</b>	<b>13.214.223</b>	<b>13.641.528</b>
<b>2.1 Loans</b>		<b>377.027</b>	<b>13.214.223</b>	<b>13.591.250</b>
2.1.1 Loans Measured at Amortised Cost		377.027	13.214.223	13.591.250
2.1.2 Loans Measured at Fair Value through Profit/Loss		-	-	-
2.1.3 Loans Measured at Fair Value through Other Comprehensive Income		-	-	-
<b>2.2 Lease Receivables</b>		<b>20</b>	-	<b>20</b>
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operational Lease Receivables		20	-	20
2.2.3 Unearned Income (-)		-	-	-
<b>2.3 Factoring Receivables</b>		-	-	-
2.3.1 Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2 Factoring Receivables Measured at Fair Value through Profit/Loss		-	-	-
2.3.3 Factoring Receivables Measured at Fair Value through Other Comprehensive Income		-	-	-
<b>2.4 Non-Performing Loans</b>		<b>123.142</b>	-	<b>123.142</b>
<b>2.5 Specific Provisions (-)</b>		<b>72.884</b>	-	<b>72.884</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(3)	-	-	-
3.1 Held for Sale Purpose		-	-	-
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>	(4)	<b>15.241</b>	<b>57.713</b>	<b>72.954</b>
<b>4.1 Investments in Associates (Net)</b>		<b>15.241</b>	<b>57.713</b>	<b>72.954</b>
4.1.1 Associates Accounted Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		15.241	57.713	72.954
<b>4.2 Subsidiaries (Net)</b>		-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
<b>4.3 Joint Ventures (Net)</b>		-	-	-
4.3.1 Joint Ventures Accounted Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	(5)	<b>61.106</b>	-	<b>61.106</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(6)	<b>1.706</b>	-	<b>1.706</b>
6.1 Goodwill		-	-	-
6.2 Other		1.706	-	1.706
<b>VII. INVESTMENT PROPERTY (Net)</b>	(7)	<b>894</b>	-	<b>894</b>
<b>VIII. CURRENT TAX ASSET</b>	(8)	-	-	-
<b>IX. DEFERRED TAX ASSET</b>	(9)	<b>1.744</b>	-	<b>1.744</b>
<b>X. OTHER ASSETS</b>	(10)	<b>7.359</b>	<b>31.872</b>	<b>39.231</b>
<b>TOTAL ASSETS</b>		<b>1.705.484</b>	<b>14.009.326</b>	<b>15.714.810</b>

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The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Balance Sheet (Statement of Financial Position)**

**As of 31 December 2019**

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

LIABILITIES	Note	AUDITED CURRENT PERIOD (31/12/2019)		
		TL	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	-	-	-
<b>II. FUNDS BORROWED</b>	(2)	113	15,363,766	15,363,879
<b>III. MONEY MARKET FUNDS</b>	(3)	50,364	-	50,364
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
<b>V. FUNDS</b>	(5)	17,728	427	18,155
5.1 Borrower Funds		-	-	-
5.2 Other		17,728	427	18,155
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(6)	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(7)	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
<b>VIII. FACTORING LIABILITIES</b>	(8)	-	-	-
<b>IX. LEASE LIABILITIES (Net)</b>	(9)	15,207	-	15,207
<b>X. PROVISIONS</b>	(10)	26,569	-	26,569
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		25,628	-	25,628
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		941	-	941
<b>XI. CURRENT TAX LIABILITY</b>	(11)	45,843	-	45,843
<b>XII. DEFERRED TAX LIABILITY</b>	(12)	11,682	-	11,682
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(13)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(14)	-	1,402,055	1,402,055
14.1 Borrowings	(13)	-	1,402,055	1,402,055
14.2 Other Debt Instruments		-	-	-
<b>XV. OTHER LIABILITIES</b>	(15)	22,796	62,955	85,751
<b>XVI. SHAREHOLDERS' EQUITY</b>	(16)	2,352,892	3,521	2,356,413
16.1 Paid-in capital		850,000	-	850,000
16.2 Capital Reserves		208,057	-	208,057
16.2.1 Share Premium		1,983	-	1,983
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		206,074	-	206,074
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		152	-	152
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		32,683	3,521	36,204
16.5 Profit Reserves		682,612	-	682,612
16.5.1 Legal Reserves		47,157	-	47,157
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		631,753	-	631,753
16.5.4 Other Profit Reserves		3,702	-	3,702
16.6 Profit or (Loss)		579,388	-	579,388
16.6.1 Prior Periods' Profit or (Loss)		132,282	-	132,282
16.6.2 Current Period Profit or (Loss)		447,106	-	447,106
<b>TOTAL LIABILITIES</b>		2,543,194	16,832,724	19,375,918

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using accounting policies different from the accounting policies used in the preparation of the prior period financial statements, and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Balance Sheet (Statement of Financial Position)**

**As of 31 December 2019**

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

LIABILITIES	Note	AUDITED PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	-	-	-
<b>II. FUNDS BORROWED</b>	(2)	-	13,570,125	13,570,125
<b>III. MONEY MARKET FUNDS</b>	(3)	862	-	862
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
<b>V. FUNDS</b>	(5)	16,673	1,217	17,890
5.1 Borrower Funds		-	-	-
5.2 Other		16,673	1,217	17,890
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(6)	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(7)	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
<b>VIII. FACTORING LIABILITIES</b>	(8)	-	-	-
<b>IX. LEASE LIABILITIES (Net)</b>	(9)	-	-	-
9.1 Finance Lease		-	-	-
9.2 Operational Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Finance Lease Expenses (-)		-	-	-
<b>X. PROVISIONS</b>	(10)	267,648	-	267,648
10.1 General Provisions		226,817	-	226,817
10.2 Restructuring Provisions		-	-	-
10.3 Reserve for Employee Benefits		40,829	-	40,829
10.4 Insurance Technical Provisions (Net)		-	-	-
10.5 Other Provisions		2	-	2
<b>XI. CURRENT TAX LIABILITY</b>	(11)	35,038	-	35,038
<b>XII. DEFERRED TAX LIABILITY</b>	(12)	-	-	-
<b>XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(13)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(14)	-	336,270	336,270
14.1 Borrowings		-	336,270	336,270
14.2 Other Debt Instruments		-	-	-
<b>XV. OTHER LIABILITIES</b>	(15)	13,943	55,747	69,690
<b>XVI. SHAREHOLDERS' EQUITY</b>	(16)	1,405,976	11,311	1,417,287
16.1 Paid-in capital		500,000	-	500,000
16.2 Capital Reserves		207,656	-	207,656
16.2.1 Share Premium		1,582	-	1,582
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		206,074	-	206,074
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		721	-	721
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		14,988	11,311	26,299
16.5 Profit Reserves		522,318	-	522,318
16.5.1 Legal Reserves		39,142	-	39,142
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		480,290	-	480,290
16.5.4 Other Profit Reserves		2,886	-	2,886
16.6 Profit or (Loss)		160,293	-	160,293
16.6.1 Prior Periods' Profit or (Loss)		-	-	-
16.6.2 Current Period Profit or (Loss)		160,293	-	160,293
<b>TOTAL LIABILITIES AND EQUITY</b>		1,740,140	13,974,670	15,714,810

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**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Statement of Off-Balance Sheet Commitments**

**As of 31 December 2019**

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

	Note	AUDITED CURRENT PERIOD (31/12/2019)		
		TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>				
<b>I. GUARANTEES AND WARRANTIES</b>				
1.1. Letters of Guarantee		<b>230.013</b>	<b>1.731.316</b>	<b>1.961.329</b>
1.1.1. Guarantees Subject to State Tender Law		13	-	13
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3. Other Letters of Guarantee		-	-	-
1.2. Bank Acceptances		-	-	-
1.2.1. Import Letter of Acceptance		-	-	-
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters of Credit		-	-	-
1.3.1. Documentary Letters of Credit		-	-	-
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 the Republic of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Purchase Guarantees on Marketable Security Issuance		-	-	-
1.7. Factoring Guarantees		-	-	-
1.8. Other Guarantees		-	-	-
1.9. Other Collaterals		-	-	-
<b>II. COMMITMENTS</b>				
2.1. Irrevocable Commitments		<b>230.000</b>	<b>1.731.316</b>	<b>1.961.316</b>
2.1.1. Asset Purchase and Sale Commitments		-	19.824	19.824
2.1.2. Deposit Purchase and Sales Commitments		-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4. Loan Granting Commitments		-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Commitments for Cheques		-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13. Other Irrevocable Commitments		-	19.824	19.824
2.2. Revocable Commitments		<b>230.000</b>	<b>1.711.492</b>	<b>1.941.492</b>
2.2.1. Revocable Loan Granting Commitments		<b>230.000</b>	<b>1.711.492</b>	<b>1.941.492</b>
2.2.2. Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>				
3.1. Hedging Derivative Financial Instruments		-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-
3.2. Trading Transactions		-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-
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>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>2.857.003</b>	<b>36.461.769</b>	<b>39.318.772</b>
<b>ITEMS HELD IN CUSTODY</b>				
4.1. Customer Fund and Portfolio Balances		<b>46.920</b>	-	<b>46.920</b>
4.2. Investment Securities Held in Custody		-	-	-
4.3. Checks Received for Collection		-	<b>46.920</b>	-
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		-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>2.807.997</b>	<b>36.441.823</b>	<b>39.249.820</b>
5.1. Marketable Securities		-	-	-
5.2. Guarantee Notes		-	<b>17.255</b>	<b>3.606.492</b>
5.3. Commodity		-	-	<b>3.623.747</b>
5.4. Warranty		-	-	-
5.5. Immovable		-	<b>2.193.249</b>	<b>22.316.924</b>
5.6. Other Pledged Items		-	<b>298.450</b>	<b>8.591.729</b>
5.7. Pledged Items-Depository		-	<b>299.043</b>	<b>1.926.678</b>
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>2.086</b>	<b>19.946</b>	<b>22.032</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>3.087.016</b>	<b>38.193.085</b>	<b>41.280.101</b>

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**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Statement of Off-Balance Sheet Commitments**

**As of 31 December 2019**

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

	Note	AUDITED PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	(1), (3)	<b>209.537</b>	<b>1.829.621</b>	<b>2.039.158</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>37</b>	<b>27.788</b>	<b>27.825</b>
1.1. Letters of Guarantee		37	-	37
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		37	-	37
1.2. Bank Acceptances		-	-	-
1.2.1. Import Letter of Acceptances		-	-	-
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters of Credit		-	27.788	27.788
1.3.1. Documentary Letters of Credit		-	-	-
1.3.2. Other Letters of Credit		-	27.788	27.788
1.4. Prefinancing Given as Guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Purchase Guarantees on Marketable Security Issuance		-	-	-
1.7. Factoring Guarantees		-	-	-
1.8. Other Guarantees		-	-	-
1.9. Other Collaterals		-	-	-
<b>II. COMMITMENTS</b>	(1), (3)	<b>209.500</b>	<b>1.801.833</b>	<b>2.011.333</b>
2.1. Irrevocable Commitments		-	11.428	11.428
2.1.1. Asset Purchase and Sale Commitments		-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	11.428	11.428
2.1.4. Loan Granting Commitments		-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Commitments for Cheques		-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13. Other Irrevocable Commitments		-	-	-
2.2. Revocable Commitments		209.500	1.790.405	1.999.905
2.2.1. Revocable Loan Granting Commitments		209.500	1.790.405	1.999.905
2.2.2. Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	-	-	-
3.1. Hedging Derivative Financial Instruments		-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-
3.2. Trading Transactions		-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-
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>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>2.837.890</b>	<b>33.090.527</b>	<b>35.928.417</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>5.286</b>	<b>42</b>	<b>5.328</b>
4.1. Customer Fund and Portfolio Balances		-	-	-
4.2. Investment Securities Held in Custody		5.286	-	5.286
4.3. Cheques Received for Collection		-	-	-
4.4. Commercial Notes Received for Collection		-	-	-
4.5. Other Assets Received for Collection		-	-	-
4.6. Assets Received for Public Offering		-	-	-
4.7. Other Items Under Custody		-	42	42
4.8. Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>2.830.102</b>	<b>33.072.511</b>	<b>35.902.613</b>
5.1. Marketable Securities		-	-	-
5.2. Guarantee Notes		26.185	3.639.280	3.665.465
5.3. Commodity		-	-	-
5.4. Warranty		-	-	-
5.5. Immovable		2.193.249	20.148.216	22.341.465
5.6. Other Pledged Items		311.387	7.537.758	7.849.145
5.7. Pledged Items-Depository		299.281	1.747.257	2.046.538
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>2.502</b>	<b>17.974</b>	<b>20.476</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>3.047.427</b>	<b>34.920.148</b>	<b>37.967.575</b>

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**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Unconsolidated Statement of Profit or Loss**

**As of 31 December 2019**

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

<b>STATEMENT OF PROFIT OR LOSS</b>		<b>Note</b>	<b>AUDITED</b>
			<b>CURRENT PERIOD</b> (01/01/2019-31/12/2019)
<b>I. INTEREST INCOME</b>			<b>1.133.147</b>
1.1 Interest on Loans			750.666
1.2 Interest on Reserve Requirements			-
1.3 Interest on Banks			234.597
1.4 Interest on Money Market Transactions			39.428
1.5 Interest on Marketable Securities Portfolio			108.120
1.5.1 Fair Value Through Profit or Loss			-
1.5.2 Fair Value Through Other Comprehensive Income			68.121
1.5.3 Measured at Amortised Cost			39.999
1.6 Financial Lease Income			-
1.7 Other Interest Income			336
<b>II. INTEREST EXPENSE (-)</b>		<b>2</b>	<b>(425.427)</b>
2.1 Interest on Deposits			-
2.2 Interest on Funds Borrowed			(422.790)
2.3 Interest Expense on Money Market Transactions			(429)
2.4 Interest on Securities Issued			-
2.5 Measured at Amortised Expense			(2.194)
2.6 Other Interest Expenses			(14)
<b>III. NET INTEREST INCOME (I - II)</b>			<b>707.720</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>			<b>14.516</b>
4.1 Fees and Commissions Received			15.747
4.1.1 Non-cash Loans			197
4.1.2 Other			15.550
4.2 Fees and Commissions Paid			(1.231)
4.2.1 Non-cash Loans			-
4.2.2 Other			(1.231)
<b>V. DIVIDEND INCOME</b>		<b>3</b>	<b>4.840</b>
<b>VI. TRADING PROFIT / (LOSS) (Net)</b>		<b>4</b>	<b>34.617</b>
6.1 Trading Gains / (Losses) on Securities			24.045
6.2 Gains / (Losses) on Derivative Financial Transactions			(3.143)
6.3 Foreign Exchange Gains / (Losses)			13.715
<b>VII. OTHER OPERATING INCOME</b>		<b>5</b>	<b>23.139</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>			<b>784.832</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>		<b>6</b>	<b>(52.873)</b>
<b>X. OTHER PROVISION EXPENSE (-)</b>			<b>(19.168)</b>
<b>XI. PERSONNEL EXPENSE (-)</b>			<b>(88.900)</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>		<b>7</b>	<b>(37.587)</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>			<b>586.304</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>			-
<b>XV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>			-
<b>XVI. INCOME/(LOSS) ON NET MONETARY POSITION</b>			-
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>		<b>8</b>	<b>586.304</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>		<b>9</b>	<b>139.198</b>
18.1 Current Tax Provision			144.270
18.2 Deferred Tax Income Effect (+)			-
18.3 Deferred Tax Expense Effect (-)			(5.072)
<b>XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>		<b>10</b>	<b>447.106</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>			-
20.1 Income from Non-current Assets Held for Sale			-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures			-
20.3 Income from Other Discontinued Operations			-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>			-
21.1 Expenses for Non-current Assets Held for Sale			-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures			-
21.3 Expenses for Other Discontinued Operations			-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)</b>			-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>			-
23.1 Current Tax Provision			-
23.2 Deferred Tax Expense Effect (+)			-
23.3 Deferred Tax Income Effect (-)			-
<b>XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>			-
<b>XXV. NET PROFIT/(LOSS) (XIX+XXIV)</b>		<b>11</b>	<b>447.106</b>
Earning/(Loss) per share (in TL full)			0,5260

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**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Unconsolidated Statement of Profit or Loss**

**As of 31 December 2019**

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

<b>STATEMENT OF PROFIT OR LOSS</b>		<b>Note</b>	<b>AUDITED</b>
			<b>PRIOR PERIOD</b> (01/01/2018-31/12/2018)
<b>I. INTEREST INCOME</b>			<b>689.072</b>
1.1 Interest on Loans			496.229
1.2 Interest on Reserve Requirements			-
1.3 Interest on Banks			102.687
1.4 Interest on Money Market Transactions			64.965
1.5 Interest on Marketable Securities Portfolio			25.189
1.5.1 Fair Value Through Profit or Loss			-
1.5.2 Fair Value Through Other Comprehensive Income			20.787
1.5.3 Measured at Amortised Cost			4.402
1.6 Financial Lease Income			-
1.7 Other Interest Income			2
<b>II. INTEREST EXPENSE (-)</b>		<b>(2)</b>	<b>(232.346)</b>
2.1 Interest on Deposits			-
2.2 Interest on Funds Borrowed			(232.279)
2.3 Interest Expense on Money Market Transactions			(63)
2.4 Interest on Securities Issued			-
2.5 Other Interest Expenses			(4)
<b>III. NET INTEREST INCOME (I - II)</b>			<b>456.726</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>			<b>26.425</b>
4.1 Fees and Commissions Received			27.296
4.1.1 Non-cash Loans			772
4.1.2 Other			26.524
4.2 Fees and Commissions Paid			(871)
4.2.1 Non-cash Loans			-
4.2.2 Other			(871)
<b>V. PERSONNEL EXPENSE (-)</b>			<b>(64.809)</b>
<b>VI. DIVIDEND INCOME</b>			<b>1.791</b>
<b>VII. TRADING PROFIT / (LOSS) (Net)</b>		<b>(3)</b>	<b>(4.925)</b>
7.1 Trading Gains / (Losses) on Securities			19
7.2 Gains / (Losses) on Derivative Financial Transactions			-
7.3 Foreign Exchange Gains / (Losses)			(4.944)
<b>VIII. OTHER OPERATING INCOME</b>		<b>(5)</b>	<b>15.688</b>
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>			<b>430.896</b>
<b>X. EXPECTED CREDIT LOSS (-)</b>		<b>(6)</b>	<b>(154.774)</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>		<b>(7)</b>	<b>(31.335)</b>
<b>XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>			<b>244.787</b>
<b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>			-
<b>XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>			-
<b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>			-
<b>XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>			<b>244.787</b>
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>		<b>(8)</b>	<b>(84.494)</b>
17.1 Current Tax Provision			(85.310)
17.2 Deferred Tax Income Effect (+)			-
17.3 Deferred Tax Expense Effect (-)			816
<b>XVIII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>			<b>160.293</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>(10)</b>	-
19.1 Income from Non-current Assets Held for Sale			-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures			-
19.3 Income from Other Discontinued Operations			-
<b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>			-
20.1 Expenses for Non-current Assets Held for Sale			-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures			-
20.3 Expenses for Other Discontinued Operations			-
<b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>			-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>			-
22.1 Current Tax Provision			-
22.2 Deferred Tax Expense Effect (+)			-
22.3 Deferred Tax Income Effect (-)			-
<b>XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>			-
<b>XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>		<b>(11)</b>	<b>160.293</b>
Earning/(Loss) per share (in TL full)			0,3205

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**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Statement of Profit or Loss and Other Comprehensive Income**  
**As of 31 December 2019**  
(Amounts expressed in thousand of the Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		AUDITED
		CURRENT PERIOD
		(01/01/2019-31/12/2019)
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>447.106</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>38.820</b>
<b>2.1</b>	<b>Not Reclassified to Profit or Loss</b>	<b>(569)</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(694)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	125
<b>2.2</b>	<b>Reclassified to Profit or Loss</b>	<b>39.389</b>
2.2.1	Foreign Currency Translation Differences	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	48.055
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(8.666)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>485.926</b>

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**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**  
**Unconsolidated Statement of Profit or Loss and Other Comprehensive Income**  
**As of 31 December 2019**  
(Amounts expressed in thousand of the Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		AUDITED
		PRIOR PERIOD
		(01/01/2018-31/12/2018)
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>160.293</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>12.610</b>
<b>2.1</b>	<b>Not Reclassified to Profit or Loss</b>	<b>(1.143)</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(1.394)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	251
<b>2.2</b>	<b>Reclassified to Profit or Loss</b>	<b>13.753</b>
2.2.1	Foreign Currency Translation Differences	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	16.779
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(3.026)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>172.903</b>

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TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.

## Unconsolidated Statement of Changes in Shareholders' Equity

As of 31 December 2019

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

										Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss					
					Tangible and Intangible Assets	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity			
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Revaluation Reserve											
<b>PRIOR PERIOD (31/12/2018)</b>																	
I.	Balance at the beginning of the period	500.000	1.582	--	206.074	--	1.864	--	--	12.546	--	405.933	128.266	--	1.256.265		
II.	Adjustment in accordance with TMS 8	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
2.1	Effect of adjustment	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
2.2	Effect of changes in accounting policies	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
III.	<b>New balance (I+II)</b>	<b>500.000</b>	<b>1.582</b>	--	<b>206.074</b>	--	<b>1.864</b>	--	--	<b>12.546</b>	--	<b>405.933</b>	<b>128.266</b>	--	<b>1.256.265</b>		
IV.	Total comprehensive income (loss)	-	-	--	-	--	(1.143)	--	--	13.753	--	-	-	-	160.293		
V.	Capital increase in cash	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
VI.	Capital increase through internal reserves	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
VII.	Issued capital inflation adjustment difference	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
VIII.	Convertible bonds	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
IX.	Subordinated debt	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
X.	Increase (decrease) through other changes, equity	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
XI.	<b>Profit distribution</b>			--		--		--	--		--	<b>116.385</b>	<b>(128.266)</b>	-	<b>(11.881)</b>		
11.1	Dividends distributed	-	-	--	-	--	-	--	--	-	--	(11.881)	-	-	(11.881)		
11.2	Transfers to legal reserves	-	-	--	-	--	-	--	--	-	--	116.385	(116.385)	-	-		
11.3	Other	-	-	--	-	--	-	--	--	-	--	-	-	-	-		
<b>Balances (III+IV+.....+X+XI)</b>		<b>500.000</b>	<b>1.582</b>	--	<b>206.074</b>	--	<b>721</b>	--	--	<b>26.299</b>	--	<b>522.318</b>	-	<b>160.293</b>	<b>1.417.287</b>		

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using accounting policies different from the accounting policies used in the preparation of the prior period financial statements, and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Unconsolidated Statement of Changes in Shareholders' Equity**

**As of 31 December 2019**

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

					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss							
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity
<b>CURRENT PERIOD (31/12/2019)</b>															
I.	Balance at the beginning of the period	500.000	1.582	--	206.074	--	721	--	--	26.299	--	522.319	160.293	--	1.417.288
II.	Adjustment in accordance with TMS 8	--	--	--	--	--	--	--	--	(29.484)	--	--	132.282	--	102.798
2.1	Effect of adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2	Effect of changes in accounting policies	--	--	--	--	--	--	--	--	(29.484)	--	--	132.282	--	102.798
III.	New balance (I+II)	500.000	1.582	--	206.074	--	721	--	--	(3.185)	--	522.319	292.575	--	1.520.086
IV.	Total comprehensive income (loss)	--	--	--	--	--	(569)	--	--	39.389	--	--	--	447.106	485.926
V.	Capital increase in cash	350.000	--	--	--	--	--	--	--	--	--	--	--	--	350.000
VI.	Capital increase through internal reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII.	Issued capital inflation adjustment difference	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII.	Convertible bonds	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX.	Subordinated debt	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X.	Increase (decrease) through other changes, equity	--	401	--	--	--	--	--	--	--	--	--	--	--	401
XI.	Profit distribution	--	--	--	--	--	--	--	--	--	--	160.293	(160.293)	--	--
11.1	Dividends distributed	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2	Transfers to legal reserves	--	--	--	--	--	--	--	--	--	--	160.293	(160.293)	--	--
11.3	Other	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balances (III+IV+.....+X+XI)		850.000	1.983	--	206.074	--	152	--	--	36.204	--	682.612	132.282	447.106	2.356.413

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using accounting policies different from the accounting policies used in the preparation of the prior period financial statements, and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Unconsolidated Statement of Cash Flows**

**As of 31 December 2019**

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

	Note	AUDITED	
		CURRENT PERIOD (01/01/2019-31/12/2019)	
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	(1)	<b>527.719</b>	
1.1.1 Interest Received		1.062.463	
1.1.2 Interest Paid		(382.827)	
1.1.3 Dividend Received		4.840	
1.1.4 Fees and Commissions Received		15.747	
1.1.5 Other Income		2.877	
1.1.6 Collections from Previously Written-off Loans and Other Receivables		7.847	
1.1.7 Payments to Personnel and Service Suppliers		(121.505)	
1.1.8 Taxes Paid		(138.008)	
1.1.9 Other	(1)	76.285	
<b>1.2 Changes in Operating Assets and Liabilities</b>	(1)	<b>350.982</b>	
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(26.203)	
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	
1.2.3 Net (increase) / decrease in loans		206.221	
1.2.4 Net (increase) / decrease in other assets		(26.452)	
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		115.520	
1.2.9 Net increase / (decrease) in payables		-	
1.2.10 Net increase / (decrease) in other liabilities	(1)	81.896	
<b>I. Net Cash Provided from Banking Operations</b>	(1)	<b>878.701</b>	
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>			<b>(1.367.125)</b>
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	
2.3 Purchases of property and equipment		(8.891)	
2.4 Disposals of property and equipment		377	
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(605.718)	
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		232.135	
2.7 Purchase of Financial Assets Measured at Amortised Cost		(1.014.457)	
2.8 Sale of Financial Assets Measured at Amortised Cost		30.932	
2.9 Other		(1.503)	
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>	(1)	<b>1.324.689</b>	
3.1 Cash Obtained from Funds Borrowed and Securities Issued		978.570	
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	
3.3 Issued Equity Instruments		350.000	
3.4 Dividends Paid		-	
3.5 Payments for Finance Leases		(3.881)	
3.6 Other		-	
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(1)	<b>10.747</b>	
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>847.012</b>	
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(2)	<b>1.623.557</b>	
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(3)	<b>2.470.569</b>	

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using accounting policies different from the accounting policies used in the preparation of the prior period financial statements, and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Unconsolidated Statement of Cash Flows**

**As of 31 December 2019**

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

	Note	AUDITED	
		PRIOR PERIOD	(01/01/2018-31/12/2018)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	(1)	<b>370.242</b>	
1.1.1 Interest Received		640.943	
1.1.2 Interest Paid		(180.014)	
1.1.3 Dividend Received		1.791	
1.1.4 Fees and Commissions Received		27.296	
1.1.5 Other Income		8.791	
1.1.6 Collections from Previously Written-off Loans and Other Receivables		528	
1.1.7 Payments to Personnel and Service Suppliers		(67.068)	
1.1.8 Taxes Paid		(62.189)	
1.1.9 Other	(1)	164	
<b>1.2 Changes in Operating Assets and Liabilities</b>	(1)	<b>(493.342)</b>	
1.2.1 Net Increase/ decrease in financial assets at fair value through profit or loss		(270)	
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	
1.2.3 Net (increase) / decrease in loans		(3.913.868)	
1.2.4 Net (increase) / decrease in other assets		(24.492)	
1.2.5 Net increase / (decrease) in bank deposits		-	
1.2.6 Net increase / (decrease) in other deposits		-	
1.2.7 Net Increase/ decrease in financial liabilities at fair value through profit or loss		-	
1.2.8 Net increase / (decrease) in funds borrowed		3.344.317	
1.2.9 Net increase / (decrease) in payables		-	
1.2.10 Net increase / (decrease) in other liabilities	(1)	100.971	
<b>I. Net Cash Provided from Banking Operations</b>	(1)	<b>(123.100)</b>	
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>			(2.003)
2.1 Cash paid for acquisition of investments, associates and subsidiaries		(1.453)	
2.2 Cash obtained from disposal of investments, associates and subsidiaries		7.897	
2.3 Purchases of property and equipment		(1.963)	
2.4 Disposals of property and equipment		8.463	
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(107.212)	
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		140.736	
2.7 Purchase of Financial Assets Measured at Amortised Cost		(48.491)	
2.8 Sale of Financial Assets Measured at Amortised Cost		1.908	
2.9 Other		(1.888)	
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>	(1)	<b>(11.881)</b>	
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	
3.3 Issued Equity Instruments		-	
3.4 Dividends Paid		(11.881)	
3.5 Payments for Finance Leases		-	
3.6 Other		-	
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(1)	<b>102.934</b>	
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(34.050)</b>	
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(2)	<b>1.657.607</b>	
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(3)	<b>1.623.557</b>	

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using accounting policies different from the accounting policies used in the preparation of the prior period financial statements, and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

The accompanying explanations and notes form an integral part of these financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

	<b>AUDITED</b>	<b>AUDITED</b>
	<b>CURRENT PERIOD</b> (31/12/2019)	<b>PRIOR PERIOD</b> (31/12/2018)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME (1)</b>		
1.1 CURRENT YEAR INCOME	586.304	244.787
1.2 TAXES AND DUTIES PAYABLE	(139.198)	(84.494)
1.2.1 Corporate Tax (Income tax)	(144.270)	(85.310)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	5.072	816
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>447.106</b>	<b>160.293</b>
1.3 PRIOR YEARS LOSSES (-) <sup>(1)</sup>	-	-
1.4 FIRST LEGAL RESERVES (-)	-	8.015
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>	<b>447.106</b>	<b>152.278</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive 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 (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	151.462
1.13 OTHER RESERVES	-	816
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(\*)Since the dividend distribution proposal for 2019 to be submitted to the General Assembly for approval has not yet been prepared by the Board of Directors, only the distributable profit amount is specified in the 2019 dividend distribution table.

## **SECTION THREE**

### **ACCOUNTING POLICIES**

#### **I. Explanations on Basis of Presentation:**

##### **a. The preparation of financial statements and related notes according to Turkish Accounting Standards and Regulation on the Procedures And Principles Regarding Banks Accounting Practices and Maintaining Documents:**

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) except for matters regulated by BRSA legislation (together referred as “BRSA Accounting and Reporting Legislation”).

The unconsolidated financial statements have been prepared in thousand of Turkish Lira (TL), under the historical cost convention, except for the financial assets and liabilities carried at fair value.

The accompanying unconsolidated financial statements for the 31 December 2019 fiscal period have been prepared in the new format in accordance with the “Communiqué on Changes in Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” published in the Official Gazette No 30673 dated 01 February 2019.

#### **CHANGES IN ACCOUNTING POLICIES**

TFRS 9 Financial Instruments Standard, published by the POA in the Official Gazette dated 19 January 2017 and numbered 29953, has replaced the TAS 39 Financial Instruments Standard in the fields of classification, measurement, impairment and hedge accounting. TFRS 9 replaces the incurred loss model in TAS 39 with the expected credit loss model. TFRS 9 came into force on 1 January 2018. In this context, banks became obliged to apply TFRS 9 as of January 1, 2018, with the BRSA's “Regulation on Classification of Loans and Provisions and Procedures for Provisions to Be Allocated for them” published in the Official Gazette dated 22 June 2016 and numbered 29750. The Bank postponed the implementation for one year with the approval of BRSA dated 24 January 2018 and numbered 247 and started to apply the TFRS 9 Financial Instruments standard as of January 1, 2019. The first application effects of the standard were reflected in the retained earnings and the financial statements and footnotes of the previous period have not been restated within the scope of transition applications. Therefore, the accompanying financial statements are presented separately, not comparatively.

The Bank has disclosed information regarding the transition to TFRS 9 in Note XXIII of the third section.

TFRS 16 Leasing Standard is to determine the principles regarding the realization, measurement, presentation and disclosure of leases in financial statements. With the new standard, financial lease and operational lease distinction has been removed for lessees and the same accounting model has been introduced for all leasing transactions. Existing practices for lessor continue to a large extent. The Bank has applied this standard by using the modified retrospective approach recognizing the cumulative effect of the first application included in the financial statements on the date of the first application of this standard.

#### **II. Basis of valuation used in the preparation of financial statements:**

Accounting policies for the preparation of financial statements and valuation principles used are applied in accordance with BRSA Accounting and Reporting Legislation.

Those accounting policies and valuation principles are explained below notes through II - XXII.

Except for the financial assets and liabilities carried at fair value, the unconsolidated financial statements have been prepared in thousand of Turkish Lira under the historical cost.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions:**

The majority of the liabilities of the balance sheet of the Bank consist of funds obtained from domestic and international markets. The majority of funds obtained domestically consist of funds provided by international institutions such as World Bank and Council of European Development Bank via Republic of Turkey Ministry of Treasury and Finance and budget originated funds and the rest consists of funds provided through short-term money market transactions within the framework of balance sheet management. The Bank acts as an intermediary for those funds provided by the Republic of Turkey Ministry of Treasury and Finance to be utilized in various sectors. The funds obtained internationally consist of medium and long term loans borrowed from World Bank, and European Investment Bank and Council of European Development Bank, Islamic Development Bank, Karadeniz Development Bank and Japan International Corporation Bank.

During the utilization of the funds obtained, the Bank pays attention for utilization of loans in line with borrowing conditions while taking assets-liability mismatch into account, and tries to avoid maturity, exchange rate and liquidity risks. Exchange rate risk, interest rate risk and liquidity risk are measured and monitored on a regular basis, necessary measures are taken as a result of changes in the market data and balance sheet management is performed within the predetermined risk limits and legal limits.

A non-speculative exchange rate position risk management is applied to limit the Bank's exchange rate risk. For that reason, during the determination of the allocation of balance sheet and off-balance sheet assets according to currencies, foreign currency management policy is applied in the most effective way.

Commercial placements are directed to high-profit and low-risk assets by taking Bank-specific and domestic economic expectations, market conditions, expectations and inclinations of loan customers, risks like interest, liquidity, exchange rate etc. into account, and safety policy is kept in the foreground for placement activities. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programs prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from the Bank's previous experiences are based on when taking positions as well as legal limits. In this way, limit excesses are prevented.

During foreign currency transactions, procedures detailed below are applied.

- a.** Foreign currency monetary assets and liabilities are translated to Turkish Lira (TL) with the buying exchange rates announced by the Bank at the end of period and foreign exchange differences are accounted as foreign exchange gain or loss.
- b.** There is no exchange rate differences capitalized as of the balance sheet date.
- c.** Basic principles of exchange rate risk management policy: Decisions to avoid exchange rate and parity risks are taken by the Asset- Liability Committee that meets regularly. The decisions are in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position/Shareholders' Equity Ratio which is included in legal requirements, and those decisions are carried out carefully. To avoid parity risk, foreign exchange position is managed by taking singular and general positions.
- d.** Foreign currency transactions are calculated using the exchange rates prevailing at the dates of transactions and the profit/losses are included in the income statement of the related period.

**IV. Explanations on Derivative Instruments:**

The Bank has no derivative instruments that can be separated from the host contract. Derivative financial instruments are recorded with the fair value at the date of agreement and valued at fair value in the following reporting periods. In addition, the receivables and payables arising from these transactions are accounted for at off-balance sheet accounts. Depending on valuation difference being positive or negative, measurement differences are presented on the related balance sheet accounts.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****V. Explanations on Interest Income and Expenses:**

Interests are recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities).

If a financial asset possesses on uncollected interest accrual before its acquisition by the Bank, interest collected afterwards is separated into periods such as before its acquisition and after acquisition, and only the part of after acquisition is recognized as interest income on the income statement.

The Bank does not cancel the interest accruals and rediscounts of loans and other receivables that have become non-performing loans within the framework of the effectuated in 1 January 2018 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette dated 22 June 2016 and numbered 29750. and monitors said amounts in interest income. Within the scope of TFRS 9 methodology, it calculates the expected loss provision based on the interest accruals and rediscounts added.

**VI. Explanations on Fees and Commission Income and Expenses:**

Fees and commissions received from cash loans, that are not attributable to interest rates applied, and fees for banking services are recorded as income on the date of collection. Fees and commissions paid for the funds borrowed, which are not attributable to interest rates of the funds borrowed, are recorded as expense on the date of the payment. All other commission and fee income and expenses, are recorded on an accrual basis. Earnings in return of agreements or as a result of services provided for real or legal third parties for purchase or sale of assets are recorded as income when collected.

**VII. Explanations on Financial Assets:**

Financial assets mainly constitute the Bank’s commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

The Bank adds its financial assets to the financial statements in accordance with the provisions of the “Importing and Excluding the Financial Statements” section of the TFRS 9 Standard and subtracts them from the financial statements. Financial assets are included in the statement of financial status when they become a party to the terms of the contract related to the financial asset and measured at fair value for the first time (excluding trade receivables under TFRS 15 Customer Contracts Revenue).

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by;

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

Business Model Test and Cash Flow Characteristics Test are performed to determine the classification of financial assets.

Purchase and sale transactions of these financial assets are accounted according to their “delivery date”. The classification of financial assets is decided on the date of their acquisition, taking into account “Testing of Contractual Cash Flows Only Interest and Principal and Evaluation of Business Model”. When the business model used for the management of financial assets is changed, all financial assets affected by this change are reclassified.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on Financial Assets (Continued):**

***Financial Assets Measured at Fair Value through Profit and Loss:***

Financial assets whose fair value differences are reflected in profit / loss are mainly for a short-term securities acquired for the purpose of being sold or bought back in the near future.

Financial assets whose fair value difference is reflected in profit / loss are reflected to the balance sheet at their cost values and are subject to valuation at fair value following their recording. Fair values for securities traded on Borsa İstanbul (BIST) are found using the weighted average clearing prices formed on BIST at the balance sheet date.

Gains or losses resulting from the valuation of financial assets whose fair value difference is reflected in profit / loss are reflected in profit / loss accounts. The positive difference between the acquisition cost and discounted value during the holding of financial assets for trading purposes is the difference in "Interest Income", if the fair value of the asset is above its discounted value, in the "Capital Market Transactions Profits" account, the fair value's If it is below, the negative difference is recorded in the "Capital Market Transactions Losses" account.

***Financial Assets Measured at Fair Value Through Other Comprehensive Income:***

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets measured at fair value through other comprehensive income are initially recognized at cost including the transaction costs. After initial recognition, the fair value difference of the financial assets at fair value through profit or loss is carried at fair value. Marketable securities that are traded on BIST are carried at weighted average exchange prices of ISE as of the balance sheet date. In the case a price does not occur in an active market, it is accepted that fair value cannot be reliably determined and amortised cost which is calculated by using the effective interest rate method is accepted as the fair value. The difference between the cost and fair value is accounted for as interest income accrual or impairment loss. Interest income for financial assets measured at fair value through other comprehensive income with fixed or floating interest rate shows the difference between cost and amortised cost calculated by using the effective interest rate method and accounted for as interest income from marketable securities. Unrealized gains and losses arising from changes in fair value of the financial assets measured at fair value through other comprehensive income and which are denoting the difference between fair value and amortised cost of financial assets, are recognized in the "Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss" and amounts accounted for under equity are reflected to income statement when financial assets are sold.

***Equity Instruments Measured at Fair Value Through Other Comprehensive Income:***

During the first registration, the changes in the fair value of the investment in an equity instrument within the scope of TFRS 9, which are not held for commercial purposes or that are not contingent on the financial statements of the acquirer in a business combination where the TFRS 3 Business Combinations standard is applied, are reflected in the other comprehensive income statement. an irreversible preference can be made to take. The choice in question is made separately for each financial instrument.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****VII. Explanations on Financial Assets (Continued):**

The relevant fair value differences recognized in the other comprehensive income statement are not transferred to profit or loss in the following periods, but are transferred to previous periods' profit / loss. Dividends from such investments are included in the financial statements as profit or loss unless they are explicitly a part of the investment cost recovery. TFRS 9 impairment provisions are not valid for equity investments.

If the securities representing the share in the capital classified as financial assets whose fair value difference is reflected in other comprehensive income are traded in the organized markets and / or their fair value can be determined reliably, they are accounted at their fair values and they are not traded in the organized markets and their fair value is reliably evaluated. If it cannot be determined, the cost values are reflected to the financial statements after the provision regarding the depreciation is deducted.

***Financial Investments Measured at Amortised Cost and Loans:******Financial Investments Measured at Amortised Cost***

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortised cost are subsequently measured at amortised cost by using effective interest rate method, and they are accounted for by setting forth provision for impairment loss or by posting interest income accrual. Interests received from financial assets measured at amortised cost are recognized as interest income.

***Loans***

Loans represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans are initially recognized with cost and carried at amortised cost calculated using the effective interest rate method at the subsequent periods. Transaction fees, dues and other expenses paid for loan guarantees are reflected to the customers.

Loans granted by the Bank consist of investment and working capital loans, and fund originated loans.

Foreign currency denominated loans are followed at TL accounts after converting into TL. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts.

The loan portfolio is regularly monitored by the Bank's management and if there are any suspicions about the inability to collect the loans granted, the loans accepted as troubled and are classified as the regulation published in the Official Gazette dated 22 June 2016 and numbered 29750 and the latest changes dated 18 October 2018 is numbered 30569 Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside and TFRS 9. The Bank's Board of Directors determined the procedures and principles regarding the classification, monitoring, follow-up, loan ratios and collaterals of the loans according to the article number 53 of The Türkiye Kalkınma ve Yatırım Bankası A.Ş. Law dated 24 October 2018 and numbered 7147 and the first paragraph of the Article 53 of the Banking Act No: 5411.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on Financial Assets (Continued):**

In this context, the Bank has decided to perform the classification and provisioning of loans in accordance with the TFRS 9 Standard and the Regulation on Provisions and Principles Regarding the Classification of Loans and Provisions to be Set Aside.

***Cash and Cash Equivalents:***

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturity of 3 months or less following the date of purchase, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The carrying amounts of these assets represent their fair values.

***Explanations on Subsidiaries:***

Subsidiaries are accounted at cost in the unconsolidated financial statements and if any, provisions for impairment losses are deducted in accordance with TAS 27.

**VIII. Explanations on Impairment of Financial Assets:**

As of 1 January 2019, the Bank recognize provisions for impairment in accordance with TFR 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside." In this framework, the method of allocating credit provisions applied within the framework of the relevant legislation of BRSA has been replaced with the expected credit loss model.

Expected credit loss (ECL) model is used for instruments (such as bank deposits, loans and leasing receivables) recorded in other comprehensive income statement over amortized cost or fair value, and in addition, financial lease receivables that cannot be measured at fair value through profit / loss, applies to contract assets, credit commitments, and financial guarantee contracts.

The guiding principle of the ECL model is to reflect the general outlook of the increase or improvement in credit risk of financial instruments. The amount of ECLs defined as loss provision or provision depends on the degree of increase in credit risk since the loan was first issued.

Within the scope of TFRS 9 Financial Instruments, three basic factors regarding the measurement of expected credit loss are taken into consideration. These,

- (a) the amount weighted according to the neutrality and probabilities determined by evaluating the possible outcome range
- (b) time value of money
- (c) reasonable and supportable information on past events, current conditions and forecasts of future economic conditions that can be obtained without incurring excessive cost or effort as of at the reporting date

Taking into consideration these three factors, the Bank's historical data is modeled and the expected loss amount is calculated for each loan. Since the expected loss represents the future value, the discounting factor and the present value of this amount are calculated.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on Impairment of Financial Assets (Continued):**

In order to reflect the changes in credit risk since the initial recognition of credit risk, the loss provision is updated at each reporting date in which the expected loss calculations are performed.

The Bank assesses whether there has been a significant increase in credit risk in the financial instrument for the first time since it was included in the financial statements. In making this assessment, the Bank uses the change in default risk during the expected life of the financial instrument. To make this assessment, the Bank compares default risk related to the financial instrument as of the reporting date and the default risk related to the financial instrument for the first time in the financial statements, and is reasonable, which can be obtained without incurring excessive costs or efforts, which is reasonable indication of significant increases in credit risk since its introduction for the first time. and supportable information.

In the TFRS 9 impairment, a 3-step approach is used in which the credit risk level increases at each stage:

Stage 1: It refers to all accounts that have not shown any deterioration in credit quality since the loan was issued. All accounts defined as having low credit risk will be classified as Stage 1 without periodically checking whether there is a significant increase in credit risk. A 12-month provision calculation is performed for all accounts classified in Stage 1.

Stage 2: Refers to all accounts showing significant deterioration in credit quality since the loan was issued. For all accounts classified in Stage 2, lifetime provision calculations are performed.

Stage 3: Refers to all impaired assets. For all accounts classified in Stage 3, lifetime provision calculations are performed.

TFRS requires a 12-month compensation for all loans in stage 1, and a lifetime provision for all remaining loans.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on Impairment of Financial Assets (Continued):**

**Significant Increase in Credit Risk**

If the customers classified as Stage 1 meet the following criteria, it has been decided by the Bank to be classified under Stage 2:

- The number of delay days of the customer is over 30
- Restructuring of the debtor with financial difficulties by granting concession
- Customer has Close Monitoring criteria
- There is a 35 percent or more decrease in the quantitative score to be calculated by considering the end-of-year financial statements for the customer every year, and the score in question drops below 40 (a significant increase criterion in credit risk).

Customers are periodically evaluated (at least once a year) and their ratings are updated in order to evaluate the criterion of significant increase in credit risk. The evaluation period is shortened for the borrowers who received a significant deterioration in credit risk during the year.

Classification criteria under Stage 2 work for all bank customers, in addition, in case of negative market intelligence, classification can be made under Stage 2. This process continues under TFRS 9. The classification rules determined within the scope of TFRS 9 work for all portfolios.

Treasury and Banks portfolios are among the low default portfolios, and it is decided by the Bank to classify the assets in this portfolio under Phase 1 until an opposite assessment is made.

For the numerical criteria related to the significant deterioration in the credit risk specified in Article 4 regarding the new provisions regulation, the classification of the loans, the customer rating score calculated according to the credit rating model used within the bank has decreased by 35 percent and above, and the score in question falls below 40. determined by the Bank as the criterion of significant deterioration. In addition to these criteria, the restructuring made to the customer who has financial difficulties specified in Article 7 of the Regulation on the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" as a classification criterion under Stage 2.

**Definition of Default**

TFRS 9 Standard "When defining the default for the purpose of determining the business default risk according to TFRS 9, it uses a default definition consistent with the definition used for the credit risk management purposes of the related financial instrument and, if appropriate, takes into account qualitative indicators (eg financial commitments). However, unless the entity has reasonable and supportable information that reveals that default will occur when there is a longer delay, there is an otherwise demonstrable pre-acceptance that the default will not occur after the financial instrument expires after 90 days. The definition of default used for these purposes is applied consistently to all financial instruments unless information that proves that another definition of default is more appropriate for a particular financial instrument is available." According to the article, the definition of default is used within the scope of modeling.

The definition of default used in the Bank is as follows:

- Customers with more than 90 days of delay (The number of customer delay days represents the highest number of delay days of the customer's existing loans on the relevant reporting date.)
- Compensation of the letter of guarantee received by the bank for collateral
- Customers considered to be at high risk by the bank

**12 Month Expected Loss**

12-month loan loss corresponds to some of the expected loan loss that may arise from the possible default status of the loan within 12 months of the reporting date.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on Impairment of Financial Assets (Continued):**

**Lifetime Expected Loss**

Lifetime losses arise from all possible default events that may occur during the expected life span of the financial instrument after the reporting date. Life expectancy is related to the maturity of the financial instrument.

One of the risk parameters to be used in calculating the provision amounts to be set as per TFRS 9 is the Probability of Default (PD) information. Probability of Default refers to the possibility of a live loan falling into default. PD calculation is carried out by considering past data, current conditions and prospective macroeconomic expectations.

Specifically, while calculating PD, qualitative, quantitative scores, sector, bank degree and macro effect are taken into account. For the company whose quantitative evaluation is made, an objective score is produced between 0 and 100. The sector in which the company operates is determined in accordance with the NACE code (Statistical Classification of European Community Economic Activities; a reference resource for the purpose of producing and disseminating statistics on economic activities in Europe.).

After the qualitative and quantitative scores of the company are determined, the mentioned points are weighted according to the company scale and the company's score is calculated.

Banks, on the other hand, are ranked objectively by considering various criteria, namely capital, asset quality, liquidity, profitability, income-expenditure structure and capacity.

Finally, for the macro effect, a volatility index is calculated first, and then variables that act in parallel and play a role in the measurement of crisis probabilities before sudden financial shocks are identified. Afterwards, the index is created by weighting the determined variables according to the success rate.

The macro effect ultimately applied to the customer scores by the Bank is the macro note calculated on the company grade (non-macro score) calculated as a result of qualitative (partnership information, group of companies, etc.) and quantitative (liquidity, financial structure, profitability etc.) assessment of each customer. In line with the customer's score, corrections are applied. In this context, Turkey's economy made pioneering studies of vulnerability indicators for identifying crisis and some of the variables derived from various areas of the economy that have been identified by the Bank successfully predict in advance. This prediction has been accepted by the Bank as the threshold values are exceeded and the signal is produced starting at least 12 months before the crisis.

In order to obtain the macroeconomic score, which is calculated by considering the positive and negative scenarios as well as the base scenario value, values are calculated at a certain margin in accordance with the distribution of the series for positive and negative scenario values from the index values distributed between 0-100 and averaged over 12 months.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on Offsetting of Financial Assets and Liabilities:**

Financial assets and liabilities are offset on balance sheet when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

**X. Explanations On Sales And Repurchase Agreements And Lending Of Securities:**

Securities sold in repurchase agreements (repo) are accounted for in the balance sheet accounts in line with Uniform Chart of Accounts. Accordingly, the government bonds and treasury bills sold to the clients in the context of repurchase agreements are classified as “Subject to Repurchase Agreements” and are valued at fair values in or discounted values using effective interest rate method according to the holding purposes in the Bank portfolio. Funds gained by repurchase agreements are shown separately in the liability accounts and interest expense accrual is calculated for these funds.

Securities that were purchased to resell commitment (reverse repurchase agreements) are shown as a line item under ‘Money Market Placements’ line. For the difference between the purchase of securities and resale prices of the reverse repo agreements for the period; income accrual is calculated using the effective interest rate method. There are no marketable securities lending transactions.

**XI. Explanations on Assets Held For Sale and Discontinued Operations:**

Assets that are classified as held for sale (or the disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation on these assets is stopped, and these assets disclosed separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer.

Also, the asset should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets (or the disposal group) are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the assets. The Bank has no assets classified as held for sale.

A discontinued operation is a component that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XII. Explanations on Goodwill and Other Intangible Assets:**

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible fixed assets first are carried at cost which includes acquisition costs and other direct costs bearded necessary for the assets to become ready for use. Subsequent to recognition, intangible assets are presented in financial statements at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization is charged on a straight-line basis over their estimated useful lives which is 33,33%. Useful life of other intangible assets are determined by the consideration of items like expected usage period of the asset, technical, technological or other kind of obsolesce and maintenance costs incurred to obtain economic benefit from the assets.

Expenses related to existing computer software and computer software improvement that enhance original content and useful life, are capitalized over the software. Those capitalized expenses are amortised over the remaining useful life of the related assets using the “straight line method”.

**XIII. Explanations on Tangible Fixed Assets:**

Tangible fixed assets are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use, and if results of appraisal reports exceed the costs, they are not subject to any revaluation. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and accumulated impairment losses, if any.

The Bank's tangible fixed assets purchased before 1 January 2005 are carried at restated cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequently are valued at historical cost.

Gain or loss arising from the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. Investment expenditures include cost items that extend the useful life of the asset, increase the servicing capabilities of the asset, improve the quality of goods or services produced or reduces the costs. There is no pledge, mortgage and other restriction on the tangible fixed assets or given for the purchase commitments or any restrictions on the rights for the use of these.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XIII. Explanations on Tangible Fixed Assets (Continued):**

According to “Prime Ministry Circular numbered 2012/15 on Transactions of Public Institutions and Organizations Regarding Their Immovable” published in the Official Gazette dated 16 June 2012 and numbered 28325, public institutions and organizations (excluding Municipalities and Specific Provincial Directorates) and companies, more than 50% of whose capital is owned by state institutions and organizations, has to get the approval of the Prime Ministry for transactions like sale, lease, easement, exchange, assign, transfer of immovable in their own property or savings to public institutions and organizations, foundations, associations or their companies, real or legal persons. Therefore, all transactions of the Bank regarding its immovable and specified under the mentioned circular are subject to approval of the Prime Ministry. Other than the issue mentioned, there are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

Tangible fixed assets are amortised by using the straight-line method over their estimated useful lives. Estimated depreciation rates of tangible fixed assets are as follows.

	<u>Estimated Useful Life (Years)</u>	<u>Amortization Rate (%)</u>
Building	50	2
Safes (vaults)	50	2
Vehicles	5	20
Other Tangible Assets	3-15	6,66-33,33

There is no change in accounting estimations that has material effect in the current period or that is expected to have effect in the subsequent periods.

***Investment Properties***

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Costs of investment properties are recognised when they occurred. These costs comprise of costs of acquiring investment properties, incremental costs, modification and service costs of investment properties. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Straight line method is used in depreciation of investment properties. The useful life of investment property is 50 years.

**XIV. Explanations on Leasing Transactions:**

The “TFRS 16 Leases” Standard was published in the Official Gazette dated 16 April 2018 and to be applied on 1 January 2019.

**Bank as a lessee**

The “TFRS 16 Leases” Standard removes financial lease and operational lease distinction for lessees and introduces a single accounting model for all leasing transactions. According to the standard, the lessees reflect a “asset that gives the right to use” and a “lease obligation” to the financial statements at the date when the lease actually begins. The initial cost of the asset that gives the right to use is measured by deducting the lease incentives from the sum of the lease obligation and the initial direct costs incurred by the lessees. The cost method is used for the measurements after the beginning of the lease. In this method, the asset that gives the right to use is measured by deducting the accumulated depreciation and accumulated depreciation provisions from the cost value. The lease obligation is initially measured at the present value of the lease payments to be made during the lease period. In subsequent measurements, the book value of the liability is increased to reflect the interest on the lease obligation and decreased to reflect the lease payments made. TFRS 16 has made exemptions for leases of 12 months or less and leases related to low value assets.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on Leasing Transactions (Continued):**

The Bank, which is a lessee in financial leasing transactions, accounts for all lease transactions longer than 12 months as assets and liabilities in the statement of financial position. Depreciation expense related to the leased asset and interest expense in lease payments are reported in the income statement. The lease obligation was initially measured at the present value of the lease payments to be made during the lease period using the Bank's TL alternative source cost.

The bank as the lessor

According to the "TFRS 16 Leases" Standard, financial lease and operational lease distinction continues for the lessor. If the lessor transfers the significant risks and benefits arising from ownership of the asset subject to the lease to the lessee, he will classify it as a financial lease. Other leases will be classified as operational leases. The receivables that arise from leasing the assets of the Bank, which are not included in financial lease transactions and which are not used in banking transactions, are followed up in the receivables from the leasing transaction and are accounted on an accrual basis.

As of the balance sheet date, 2 of the Bank's real estates are within the scope of the operating lease agreement and these real estates are classified as investment properties in the balance sheet.

**XV. Explanations on Provisions and Contingent Liabilities:**

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions other than the specific and general provisions set for loans and other receivables and contingent liabilities are accounted for in accordance with "Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets" (TAS 37).

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

**XVI. Explanations on Employee Benefit Liabilities:**

Obligations for employee benefits are recognized in accordance with the TAS19 "Employee Benefits".

There is no fund to which the Bank personnel are members. However, personnel are members of Personnel Assistance and Additional Social Security Foundation of Türkiye Kalkınma Bankası A.Ş. and the Bank has no obligations regarding this foundation, accordingly no provision is reserved in the accompanying financial statements.

Under the Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. In accordance with the working status of the Bank and the social security institution legislation, the retirement pension is related to the ones related to the Law No. 5434 and the severance payment is calculated to those related to the Law numbered 1475.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated a discount rate of 3,72% (31 December 2018: 4,59%). As the maximum liability is revised semiannually, the maximum amount of TL 6.379,86 effective from 1 July 2019 has been taken into consideration in calculation of provision from employment termination benefits (31 December 2018 TL 5.434,42).

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on Taxation:**

***Current Tax***

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, Cabinet is made authorized to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made. Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 17th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year.

Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government. According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. (It was changed with 89th article of code 7061 that entered in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%). This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilites account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss. Taxes which does not accrue on time because the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business ( Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. (It was changed with 89th article of code 7061 that entered in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%). Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods. In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 30th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessment based on their findings.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XVII. Explanations on Taxation (Continued):*****Deferred Tax***

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax", the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity. Deferred tax asset and deferred tax liability are presented as net in these financial statements. The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

The income tax charge is composed of the sum of current tax and deferred tax. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible.

According to the second paragraph of the Article 53 of the Banking Act No: 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

The current tax payable is offset with prepaid tax, if they are associated with. Deferred tax assets and liabilities are also offset.

Deferred tax calculation is made within the scope of TFRS 9 for the first and second stage provisions.

**Transfer Pricing**

Transfer pricing is regulated through Article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing". According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVIII. Additional Explanations on Borrowings:**

The Bank accounts its debt instruments in the subsequent periods, by using the effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and valuation of debt instruments and liabilities representing the borrowings.

The Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. The Bank acts as an intermediary for funds provided by Turkish Treasury to be utilized domestically. Disbursement from this source has been finalized and there has been no new source transfer from the Undersecretaries of Treasury. Funds are recorded to the Banks's liabilities on the date of transfer. The maturity dates and interest rates of these funds are determined by the public authority as per the communiqués on Investment Incentives.

The present foreign funds of the Bank are medium and long term loans from World Bank, European Investment Bank, Council of European Development Bank, Islamic Development Bank, Karadeniz Development Bank and Japan International Corporation Bank and German Development Bank are recorded to related accounts on the date and with the cost the funds are available to the Bank.

The Bank generally prefers providing loans in parallel to the borrowing terms like maturity date, interest rate, interest type and currency type to avoid maturity, exchange rate and liquidity risks.

The Bank has not issued any convertible bonds and debt instruments.

**XIX. Explanations on Shares Issued:**

Paid-in capital of the Bank has been increased from TL 500.000 to TL 850.000 by issuing nominal value of TL 350.000 in the current period.

**XX. Explanations on Bill Guarantees and Acceptances:**

Commitments regarding bill guarantees and acceptances of the Bank are presented in the "Off Balance Sheet" commitments.

**XXI. Explanations on Government Incentives:**

There are no government incentives utilized by the Bank in the current and prior period.

**XXII. Explanations on Segment Reporting:**

As part of its mission, the Bank operates mainly in the areas of corporate banking and investment banking. Corporate banking provides financial solutions and banking services to customers with medium and large joint stock company status. Services offered include investment loans, project finance, TL and foreign exchange business loans, letters of credit and letters of guarantee.

In the scope of investment banking, the sale and purchase of investment funds of the Bank, sale and purchase of government bonds and treasury bills and repurchase agreements and money swaps and forward exchange transactions are conducted by Treasury Department.

As of 31 December 2019, explanations on segment reporting in line with "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures" are shown below.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXII. Explanations on Segment Reporting (Continued):**

<b>Current Period (31.12.2019)</b>	<b>Investment Banking (Treasury)</b>	<b>Corporate Banking</b>	<b>Other</b>	<b>Total Operations of the Bank</b>
Interest income	381.716	327.862	(1.858)	707.720
Net fees and commissions income	(1.231)	15.603	144	14.516
Other operating income	21.848	38.533	2.215	62.596
Other operating expense	(6.878)	(45.826)	(145.824)	(198.528)
Profit before tax	395.455	336.172	(145.323)	586.304
Tax provision	-	-	(139.198)	(139.198)
<b>Net profit for the period</b>	<b>395.455</b>	<b>336.172</b>	<b>(284.521)</b>	<b>447.106</b>
<b>Current Period (31.12.2019)</b>				
Segment Assets	4.208.740	15.072.392	78.826	19.359.958
Associates and subsidiaries	-	15.960	-	15.960
<b>Total Assets</b>	<b>4.208.740</b>	<b>15.088.352</b>	<b>78.826</b>	<b>19.375.918</b>
Segment Liabilities	50.364	15.382.036	1.587.105	17.019.505
Shareholders' equity			2.356.413	2.356.413
<b>Total Liabilities</b>	<b>50.364</b>	<b>15.382.036</b>	<b>3.943.518</b>	<b>19.375.918</b>

<b>Prior Period (31.12.2018)</b>	<b>Investment Banking (Treasury)</b>	<b>Corporate Banking</b>	<b>Other</b>	<b>Total Operations of the Bank</b>
Interest income	192.778	263.946	2	456.726
Net fees and commissions income	(871)	26.947	349	26.425
Other operating income	19	15.918	1.561	17.498
Other operating expense	-	(159.717)	(96.145)	(255.862)
Profit before tax	191.926	147.094	(94.233)	244.787
Tax provision	-	-	(84.494)	(84.494)
<b>Net profit for the period</b>	<b>191.926</b>	<b>147.094</b>	<b>(178.727)</b>	<b>160.293</b>
<b>Prior Period (31.12.2018)</b>				
Segment Assets	1.887.340	13.705.529	48.987	15.641.856
Associates and subsidiaries	-	72.954	-	72.954
<b>Total Assets</b>	<b>1.887.340</b>	<b>13.778.483</b>	<b>48.987</b>	<b>15.714.810</b>
Segment Liabilities	862	13.814.834	481.827	14.297.523
Shareholders' equity	-	-	1.417.287	1.417.287
<b>Total Liabilities</b>	<b>862</b>	<b>13.814.834</b>	<b>1.899.114</b>	<b>15.714.810</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on Other Matters:**

**Disclosures of TFRS 9 financial instruments:**

The Bank published TFRS 9 Financial Instruments ("TFRS 9") issued in accordance with the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette dated 22 June 2016 and numbered 29750 and entered into force on 1 January 2018. has started to apply the standard for the first time since January 1, 2019. The first application effects of the standard are reflected to the previous period's profits and losses and the explanations regarding the mentioned effects are given below.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on Other Matters (Continued)**

**Explanations on TFRS 9 Financial Instruments Standard (Continued)**

**a. Reconciliation of statement of financial position balances to TFRS 9:**

ASSETS	31.12.2018	TFRS 9 Classification Impact	TFRS 9 Impairment Impact	01.01.2019
<b>I. FINANCIAL ASSETS (NET)</b>	<b>1.846.231</b>	<b>57.713</b>	<b>(3.134)</b>	<b>1.900.810</b>
<b>1.1. Cash and Cash Equivalents</b>	<b>1.627.310</b>	<b>-</b>	<b>(3.134)</b>	<b>1.624.176</b>
1.1.1. Cash and Balances with Central Bank	1.430	-	-	1.430
1.1.2. Banks	419.529	-	-	419.529
1.1.3. Money Markets	1.206.351	-	-	1.206.351
1.1.4. Expected Loss Provisions (-)	-	-	(3.134)	(3.134)
<b>1.2. Financial Assets Measured at Fair Value Through Profit or Loss</b>	<b>270</b>	<b>57.713</b>	<b>-</b>	<b>57.983</b>
1.2.1. Government Securities	-	-	-	-
1.2.2. Equity Securities	270	57.713	-	57.983
1.2.3. Other Financial Assets	-	-	-	-
<b>1.3. Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>218.651</b>	<b>-</b>	<b>-</b>	<b>218.651</b>
1.3.1. Government Securities	118.350	-	-	118.350
1.3.2. Equity Securities	8.037	-	-	8.037
1.3.3. Other Financial Assets	92.264	-	-	92.264
<b>1.4. Derivative Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1. Derivative Financial Assets Measured at Fair Value Through Profit or Loss	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>	<b>13.690.944</b>	<b>-</b>	<b>(113.089)</b>	<b>13.577.855</b>
<b>2.1. Loans</b>	<b>13.591.250</b>	<b>-</b>	<b>123.142</b>	<b>13.714.392</b>
2.2. Lease Receivables	20	-	-	20
2.3. Factoring Receivables	-	-	-	-
<b>2.4. Other Financial Assets Measured at Amortized Cost</b>	<b>49.416</b>	<b>-</b>	<b>-</b>	<b>49.416</b>
2.4.1. Government Securities	49.416	-	-	49.416
2.4.2. Other Financial Assets	-	-	-	-
<i>Non-Performing Loans</i>	<b>123.142</b>	<b>-</b>	<b>(123.142)</b>	<b>-</b>
<i>Specific provisions (-)</i>	<b>72.884</b>	<b>-</b>	<b>(72.884)</b>	<b>-</b>
<b>2.5. Expected Loss Provisions (-)</b>	<b>-</b>	<b>-</b>	<b>(185.973)</b>	<b>(185.973)</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IV. EQUITY INVESTMENTS</b>	<b>72.954</b>	<b>(57.713)</b>	<b>-</b>	<b>15.241</b>
<b>4.1. Investments in Associates (Net)</b>	<b>72.954</b>	<b>(57.713)</b>	<b>-</b>	<b>15.241</b>
4.2. Subsidiaries (Net)	-	-	-	-
4.3. Joint Ventures (Net)	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	<b>61.106</b>	<b>-</b>	<b>-</b>	<b>61.106</b>
<b>VI INTANGIBLE ASSETS (Net)</b>	<b>1.706</b>	<b>-</b>	<b>-</b>	<b>1.706</b>
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>894</b>	<b>-</b>	<b>-</b>	<b>894</b>
<b>VIII. CURRENT TAX ASSET</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>1.744</b>	<b>-</b>	<b>(1.744)</b>	<b>-</b>
<b>X. OTHER ASSETS</b>	<b>39.231</b>	<b>-</b>	<b>-</b>	<b>39.231</b>
<b>TOTAL ASSETS</b>	<b>15.714.810</b>	<b>-</b>	<b>(117.967)</b>	<b>15.596.843</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on Other Matters (Continued)**

**Explanations on TFRS 9 Financial Instruments Standard (Continued):**

**a. Financial statement of reconciliation of financial assets in transition to TFRS 9 (Continued):**

LIABILITIES AND EQUITY	31.12.2018	TFRS 9 Classification Impact	TFRS 9 Impairment Impact	01.01.2019
<b>I. DEPOSITS</b>	-	-	-	-
<b>II. FUNDS BORROWED</b>	<b>13.570.125</b>	-	-	<b>13.570.125</b>
<b>III. MONEY MARKETS</b>	<b>862</b>	-	-	<b>862</b>
<b>IV. SECURITIES ISSUED (Net)</b>	-	-	-	-
<b>V. FUNDS</b>	<b>17.890</b>	-	-	<b>17.890</b>
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	-	-	-	-
<b>X. PROVISIONS</b>	<b>267.648</b>	-	<b>(226.804)</b>	<b>40.844</b>
<i>General Provisions</i>	226.817	-	(226.817)	-
10.1. Restructuring Provisions	-	-	-	-
10.2. Reserve for Employee Benefits	40.829	-	-	40.829
10.3. Insurance Technical Provisions (Net)	-	-	-	-
10.4. Other Provisions	2	-	13	15
<b>XI. CURRENT TAX LIABILITY</b>	<b>35.038</b>	-	-	<b>35.038</b>
<b>XII. DEFERRED TAX LIABILITY</b>	-	-	<b>6.039</b>	<b>6.039</b>
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	<b>336.270</b>	-	-	<b>336.270</b>
<b>XV. OTHER LIABILITIES</b>	<b>69.690</b>	-	-	<b>69.690</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>1.417.287</b>	<b>8.441</b>	<b>94.357</b>	<b>1.520.085</b>
<b>16.1. Paid-in capital</b>	<b>500.000</b>	-	-	<b>500.000</b>
<b>16.2. Capital Reserves</b>	<b>207.656</b>	-	-	<b>207.656</b>
16.2.1. Share Premium	1.582	-	-	1.582
16.2.2. Share Cancellation Profits	-	-	-	-
16.2.3. Other Capital Reserves	206.074	-	-	206.074
<b>16.3. Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss</b>	<b>721</b>	-	-	<b>721</b>
<b>16.4. Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss</b>	<b>26.299</b>	<b>(38.371)</b>	<b>8.887</b>	<b>(3.185)</b>
<b>16.5. Profit Reserves</b>	<b>522.318</b>	-	-	<b>522.318</b>
16.5.1. Legal Reserves	39.142	-	-	39.142
16.5.2. Status Reserves	-	-	-	-
16.5.3. Extraordinary Reserves	480.290	-	-	480.290
16.5.4. Other Profit Reserves	2.886	-	-	2.886
<b>16.6. Profit or (Loss)</b>	<b>160.293</b>	<b>46.812</b>	<b>85.470</b>	<b>292.575</b>
16.6.1. Prior Periods' Profit or (Loss)	-	46.812	85.470	132.282
16.6.2. Current Period Profit or (Loss)	160.293	-	-	160.293
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15.714.810</b>	<b>8.441</b>	<b>(126.408)</b>	<b>3</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on Other Matters (Continued)**

**Explanations on TFRS 9 Financial Instruments Standard (Continued):**

**b. Reconciliation of opening balance in transition to impairment provisions in TFRS 9**

The table below shows the reconciliation of the new expected loss provision that is measured in accordance with the loss model foreseen as of 1 January 2019 and the impairment loss calculated by the Bank as of 31 December 2018:

	<b>Book Value Before TFRS 9 31 December 2018</b>	<b>Re-Measurements</b>	<b>Book Value Under TFRS 9 1 January 2019</b>
<b>Loan Loss Provisions</b>	<b>290.470</b>	<b>(105.164)</b>	<b>185.306</b>
Stage 1*	185.348	(140.243)	45.105
Stage 2*	32.238	(4.866)	27.372
Stage 3**	72.884	39.945	112.829
<b>Financial Assets***</b>	<b>9.022</b>	<b>(4.777)</b>	<b>4.245</b>
<b>Non-Cash Loans</b>	<b>211</b>	<b>(196)</b>	<b>15</b>
Stage 1 and 2	209	(196)	13
Stage 3	2	-	2
<b>Total</b>	<b>299.703</b>	<b>(110.137)</b>	<b>189.566</b>

\* Refers to the general provisions for loans 1 and 2 before TFRS 9.

\*\* Refers to the special provisions reserved for stage 3 loans before TFRS 9.

\*\*\* Under TFRS 9 includes provisions for Central Bank, Banks, Money Markets, Financial Assets Measured at Fair Value Through Other Comprehensive Income, Other Financial Assets Measured at Amortised Cost and Other Assets

**c. Equity impact of TFRS 9 transition:**

Although it is not obligatory to restate the previous period information within the scope of TFRS 9 Financial Instruments Standard, it is stated that if the previous period information is not restated, the difference between the previous book value and the book value at the date of first application should be reflected in the opening balance of the equities. Explanations regarding the transition effects to TFRS 9 shown in equity items are given below.

As of 1 January 2019, TL 110.137 income difference is reflected to the “Prior periods’ profit (loss)” account in the equity between the Bank’s closing impairment loss in the previous period and the new expected loss provision measured in accordance with the expected loss model of TFRS 9 as of January 1, 2019.

The general provision amounting to TL 445 regarding the financial assets whose fair value difference, which is shown under general provisions in the liabilities before the transition to TFRS 9, is reflected in other comprehensive income, is started to be followed under “Accumulated Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss” under equity.

As stated in the “Communiqué on Uniform Accounting Plan and Prospectus” published on 20 September 2017, deferred tax has been started to be calculated as of 1 January 2019 for general provisions (TFRS 9 expected loss provisions for loans in the first and second stages). In this context, deferred tax liability of TL 16.226 has been reflected in the opening financial statements of January 1, 2019 and the said amount has been reflected in the “Prior periods’ profit (loss)” account in equities.

Within the framework of the classification provisions of TFRS 9 Financial Instruments Standard, as of January 1, 2019, an increase of TL 38.371 in the “Prior periods’ profit (loss)” account of the capital change transferred to “Financial Assets at Fair Value Difference” has created.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIV. Disclosures Related to Previous Period Accounting Policies Not Applicable in the Current Period:**

The Bank has started to apply the "TFRS 9 Financial Instruments" standard, which replaces the "TAS 39 Financial Instruments: Recognition and Measurement" standard, with effect from 1 January 2019. The accounting policies that have lost their validity with the transition to TFRS 9 are given below.

*Fair Value Through Profit/Loss*

Financial assets for trading purposes; essentially, for the short term acquired for the purpose of being sold or bought back in the short term.

Trading securities are initially recognized at cost and carried at fair value in the financial statements. Marketable securities that are traded in Borsa Istanbul ("BIST") are carried at weighted average exchange prices of BIST as of the balance sheet date.

Gains or losses arising as a result of valuation of held for trading financial assets are accounted under profit/loss accounts. Positive difference between the cost and amortised cost is recorded under "Interest Income". Positive difference between fair value and amortised cost is recorded under "Capital Market Operations Profit", negative difference is recorded under "Capital Market Operations Loss".

Financial assets at fair value through profit and loss are financial assets which are not acquired for trading, however, are classified as financial assets at fair value through profit and loss during the initial recognition. The Bank has no financial assets classified as Financial Assets at Fair Value through Profit and Loss.

*Financial Assets Available For Sale:*

Available-for-sale financial assets are non-derivative financial assets other than those classified as loans and receivables, investments to be held to maturity and fair value difference reflected in profit / loss.

Available-for-sale financial assets are recognized at their acquisition cost, including transaction costs. After the first registration, valuation of financial assets ready for sale is made over its fair value. Fair values for securities traded on Borsa Istanbul (BIST) are calculated using the weighted average clearing prices formed on BIST on the balance sheet date. In case the price formations, which constitute the basis of fair value, do not occur within the active market conditions, it is accepted that the fair value is not determined reliably and the discounted value calculated by the internal yield method is accepted as the fair value. The difference between fair value and cost is recognized as interest income accrual or provision for decrease in value. Interest income related to fixed and variable interest securities, which are included in financial assets available for sale, show the difference between their discounted values and cost values using the effective interest rate, and are recognized in interest income from securities. Unrealized profits or losses arising from changes in fair value and expressing the difference between the discounted value of the securities and their fair value are shown under the "Securities Valuation Differences" account in the equity items. In case of disposal of available-for-sale financial assets, the value increase/decrease of these values, which are monitored in securities value increase fund accounts, are reflected in the income statement.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XXIV. Disclosures Related to Previous Period Accounting Policies Not Applicable in the Current Period (Continued):***Loans and Receivables:*

Loans and receivables; are financial assets created by providing money, goods or services to the debtor, having fixed or determinable payments and not traded in an active market.

Loans are accounted for at their acquisition cost and are valued over the amount of discounted cost using the effective interest method. The fees, transaction expenses and other such expenses related to the assets received as collateral are accepted as part of the transaction cost and reflected to the customer.

The cash loans extended include investment and business loans as well as loans originated from funds.

Foreign currency denominated loans are followed at TL accounts after converting into TL. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts.

The loan portfolio is regularly monitored by the bank management and if there are doubts that the loans extended cannot be collected, the loans considered to be problematic were officially published in the Official Gazette dated December 14, 2016 and numbered 26333 dated November 1, 2006. It is classified within the framework of the principles in the "Regulation on Principles and Procedures for Determining the Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" for the amendments made by the regulation published in the newspaper. For cash loans transferred to non-performing accounts, collateral amount found by applying collateral consideration rates are deducted from the follow-up risk balance, and a special provision is set aside for the remaining amount, at least at the minimum rates specified in the regulation. Special provisions are transferred to "820 Provision and Impairment Expenses - 82000 Special Provision Expenses Account". Provisions that were released in the same year are recognized as a receivable in the Provision Expense account, and the remaining part of the reserves that have been set aside in previous years are transferred to the "Other Operating Income" account. The collections made are transferred to the "Receivables to be Liquidated (Including the Receivables from Doubtful Receivables)" and "Loans with Loss Loss and Interest on Other Receivables" accounts. Apart from special provisions, the Bank allocates general loan provisions for loans and other receivables within the framework of the relevant regulation.

*Financial Assets Measured at Amortised Cost:*

Those that are acquired with the intention of being held until the maturity date, have the necessary conditions to be held until the maturity including funding capability, have fixed or determinable payments and fixed maturity, and are classified as fair value difference profit or loss during the initial recognition and are classified as ready for sale. consists of non-derivative financial assets other than loans and receivables.

Investments to be held until maturity are accounted for after the first recording by deducting the provision for the depreciation, if any, or by deducting interest income, by discounting the cost calculated using the effective interest method. Interest earned from investments held to maturity is recorded as interest income.

Classified among previously held investments until maturity; however, there are no financial assets that cannot be subjected to this classification for two years because the classification principles are not followed.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I. Explanations related to capital adequacy ratio:**

Equity amount and capital adequacy standard ratio are calculated within the framework of "Regulation Regarding Equities of Banks" and "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy".

The Bank's equity amount as at 31 December 2019 is TL 3.840.881, (31 December 2018: TL 1.923.585) and its capital adequacy ratio is 22,29% (31 December 2018: 14,18%). The capital adequacy ratio of the Bank is above the minimum ratio determined by the relevant legislation.

**Information on Equity Items:**

Current Period (31.12.2019)	Amount	Amount Related to Practice before 1/1/2014*
<b>Common Equity Tier I Capital</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	1.056.074	
Share Premium	1.983	
Reserves	682.612	
Other Comprehensive Income according to TAS	45.123	
Profit	579.388	
Net profit for the period	447.106	
Retained Earnings	132.282	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2.365.180</b>	
<b>Deductions from Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	155	-
Leasehold Improvements on Operational Leases (-)	4.097	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	2.085	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	-
Mortgage Servicing Rights not deducted	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	-
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>6.337</b>	
<b>Total Common Equity Tier I Capital</b>	<b>2.358.843</b>	
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	997.290	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4) (Issued or Obtained after 1.1.2014)	-	
<b>Additional Tier 1 Capital Before Deductions</b>	<b>997.290</b>	
<b>Deductions From Additional Tier 1 Capital</b>	<b>-</b>	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	
Investments made by the bank to equity items issued by banks and financial institutions investing in the additional capital items of the bank and meeting the conditions specified in Article 7 of the Regulation	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	<b>997.290</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>3.356.133</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	373.162	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	115.289	
<b>Total Deductions from Tier II Capital</b>	<b>488.451</b>	
<b>Deductions from Tier II Capital</b>	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		-
Total of Net Long Positions of the Investments in Equity Items of Non-Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital		-
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>488.451</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>3.844.584</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years		-
Other items to be Defined by the BRSA	-	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	45.123	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-
<b>CAPITAL</b>	-	-
Total Capital ( Total of Tier I Capital and Tier II Capital )	<b>3.844.584</b>	-
Total Risk Weighted Assets	17.247.075	-
<b>CAPITAL ADEQUACY RATIOS</b>	-	-
CET1 Capital Ratio (%)	13,68	-
Tier I Capital Ratio (%)	19,46	-
Capital Adequacy Ratio (%)	22,29	-
<b>BUFFERS</b>	-	-
Bank-specific total CET1 Capital Ratio	-	-
Capital Conservation Buffer Ratio (%)	2,5	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	-	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	-	-
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	115.289	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	115.289	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	(1.789)	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4</b> <b>(effective between 1.1.2018-1.1.2022)</b>	-	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*)Amounts to be taken into consideration under the previous provisions

In the equity table, under the amount of capital, in which, is the last receivable right receivable in case of bank liquidation, there is capital and other capital reserves (inflation difference correction). Investment in associates which is denominated in foreign currency on balance sheet, is presented under deductions from Tier I on equity table if there is not enough Tier I or Tier II capital. The amount included in the provision item under Tier II is general provisions.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

	Balance	Amount Related to Practice before 1/1/2014*
<b>Prior Period (31.12.2018)</b>		
<b>Common Equity Tier I Capital</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	706.074	
Share Premium	1.582	
Reserves	522.318	
Other Comprehensive Income according to TAS	39.295	
Profit	160.293	
Net profit for the period	160.293	
Retained Earnings	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1.429.562</b>	
<b>Deductions from Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	4.655	-
Leasehold Improvements on Operational Leases	-	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	1.706	-
Net Deferred Tax Asset/Liability	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Direct and Indirect Investments of the Bank on its own Tier I Capital (-)		-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)		-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)		-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)		-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)		-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)		-
Mortgage Servicing Rights not deducted (-)		-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)		-
Other items to be Defined by the BRSA (-)		-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)		-
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>6.361</b>	
<b>Total Common Equity Tier I Capital</b>	<b>1.423.201</b>	
<b>ADDITIONAL TIER 1 CAPITAL</b>		-
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums		-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		-
<b>Additional Tier 1 Capital Before Deductions</b>		-
<b>Deductions From Additional Tier 1 Capital</b>		-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)		-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		
Other items to be defined by the BRSA		
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)		
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)		
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)		
<b>Total Deductions from Additional Tier I Capital</b>		
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>		<b>1.423.201</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		336.270
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)		164.114
<b>Total Deductions from Tier II Capital</b>		<b>500.384</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)		
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Non-Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>500.384</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>1.923.585</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be Defined by the BRSA	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	<b>39.295</b>
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-
<b>Capital</b>	-
Total Capital ( Total of Tier I Capital and Tier II Capital )	<b>1.923.585</b>
Total Risk Weighted Assets	<b>13.564.265</b>
<b>CAPITAL ADEQUACY RATIOS</b>	-
CET1 Capital Ratio (%)	10,49
Tier I Capital Ratio (%)	10,49
Capital Adequacy Ratio (%)	14,18
<b>BUFFERS</b>	-
Bank-specific total CET1 Capital Ratio	-
Capital Conservation Buffer Ratio (%)	1,88
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-
Systemic significant bank buffer ratio (%)	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on Equity Items (Continued):**

Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation		-	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital		-	-
Remaining Mortgage Servicing Rights		-	-
Net Deferred Tax Assets arising from Temporary Differences		-	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	9.366	-	-
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)		-	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	226.817	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	164.114	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets		-	-
<b>Debt Instruments Covered by Temporary Article 4</b>		-	-
<b>(effective between 1.1.2018-1.1.2022)</b>		-	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4		-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4		-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		-	-

*\*Amounts to be taken into consideration under the previous provisions*

In the equity table, under the amount of capital, in which, is the last receivable right receivable in case of bank liquidation, there is capital and other capital reserves (inflation difference correction). Investment in associates which is denominated in foreign currency on balance sheet, is presented under deductions from Tier I on equity table if there is not enough Tier I or Tier II capital. The amount included in the provision item under Tier II is general provisions.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I – Explanations related to capital adequacy ratio (Continued)**

**Explanations on the reconciliation of capital items to balance sheet:**

<b>Current Period (31.12.2019)</b>	<b>Carrying Value</b>	<b>Amount of correction</b>	<b>Value of the capital report</b>
<b>1.Paid-in-Capital</b>	850.000	206.074	1.056.074
<b>2.Capital Reserves</b>	208.057	(206.074)	1.983
2.1. Share Premium	1.983	-	1.983
2.2. Share Cancellation Profits	-	-	-
2.3. Other Capital Reserves	206.074	(206.074)	-
<b>3.Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss</b>	152	-	152
<b>4. Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss</b>	36.204	8.919	45.123
<b>5.Profit Reserves</b>	682.612	-	682.612
<b>6.Profit or Loss</b>	579.388	-	579.388
6.1. Prior Periods' Profit or (Loss)	132.282	-	132.282
6.2. Current Period Profit or (Loss)	447.106	-	447.106
Deductions from Common Equity Tier I Capital (-)	-	(6.489)	(6.489)
<b>Common Equity Tier I Capital</b>	<b>2.356.413</b>	<b>2.430</b>	<b>2.358.843</b>
Subordinated Loans	-	997.290	997.290
Deductions from Tier I capital (-)	-	-	-
<b>Tier I Capital</b>	<b>2.356.413</b>	<b>999.720</b>	<b>3.356.133</b>
Subordinated Loans	-	373.162	373.162
General Provisions	-	115.289	115.289
Deductions from Tier II capital (-)	-	-	-
<b>Tier II Capital</b>	<b>-</b>	<b>488.451</b>	<b>488.451</b>
Deductions from Total Capital (-)	-	-	-
<b>Total</b>	<b>2.356.413</b>	<b>1.488.171</b>	<b>3.844.584</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I – Explanations related to capital adequacy ratio (Continued)**

**Explanations on the reconciliation of capital items to balance sheet (Continued):**

<b>Prior Period (31.12.2018)</b>	<b>Carrying Value</b>	<b>Amount of correction</b>	<b>Value of the capital report</b>
1.Paid-in-Capital	500.000	206.074	706.074
2.Capital Reserves	207.656	(206.074)	1.582
2.1. Share Premium	1.582	-	1.582
2.2. Share Cancellation Profits	-	-	-
2.3. Other Capital Reserves	206.074	(206.074)	-
3.Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	721	-	721
4. Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	26.299	7.620	33.919
<b>5.P</b> rofit Reserves	<b>522.318</b>	-	<b>522.318</b>
<b>6.</b> Profit or Loss	160.293	-	160.293
6.1. Prior Periods' Profit or (Loss)	-	-	-
6.2. Current Period Profit or (Loss)	160.293	-	160.293
Deductions from Common Equity Tier I Capital (-)	-	(1.706)	(1.706)
<b>Common Equity Tier I Capital</b>	<b>1.417.287</b>	<b>5.914</b>	<b>1.423.201</b>
Subordinated Loans	-	-	-
Deductions from Tier I capital (-)	-	-	-
<b>Tier I Capital</b>	<b>1.417.287</b>	<b>5.914</b>	<b>1.423.201</b>
Subordinated Loans	-	336.270	336.270
General Provisions	-	164.114	164.114
Deductions from Tier II capital (-)	-	-	-
<b>Tier II Capital</b>	<b>-</b>	<b>500.384</b>	<b>500.384</b>
Deductions from Total Capital (-)	-	-	-
<b>Total</b>	<b>1.417.287</b>	<b>506.298</b>	<b>1.923.585</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on borrowing instruments to be included in the equity calculation:**

<b>(Current Period 31.12.2019)</b>	
Issuer-Loan supplier	Bank / Republic of Turkey Ministry of Treasury and Finance
Mediator's code (CUSIP, ISIN etc.)	-
Instruments Legislation subject to	BRSA
<b>Consideration in equity calculation</b>	
1/1/2015 from 10% reduction by being subject to the application	No
Validity status on consolidated or base or both consolidated and base	Unconsolidated
Type of the instrument	Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)	373
Instrument's nominal value (Million TL)	373
Instrument's account recognised	Liabilities Subordinated Loan
Issue date of the instrument	31.12.2018
Instrument's maturity structure (Demand / Term)	Demand
Starting maturity of the instrument	-
Whether the issuer has the right to reimbursement due to BRSA approval	Yes
Reimbursement option date, contingent repayment options and refund amount	-
Subsequent reimbursement option dates	-
<b>Interest / dividend payments</b>	
Fixed or variable interest / dividend payments	-
Interest rate and interest rate index value	-
Whether there are any restrictions that stop the payment of dividends	-
Fully optional, partially optional or mandatory	-
Whether there is an element that will encourage repayment, such as interest rate increases	-
Being cumulative or not be cumulative	-
<b>Convertible to stock</b>	
Triggering event / events that can cause conversion if they can be converted to a stock	-
Full or partial conversion if convertible	-
If convertible, conversion rate	-
If forced to convert to stock, forced or optional conversion feature	-
Convertible instruments types if converted to stock	-
Issuer of a debt instrument to be converted	-
<b>Value reduction feature</b>	
Trigger event / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)	After the borrowing, before the additional capital, same as Tier II Capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on borrowing instruments to be included in the equity calculation (Continued):**

<b>(Prior Period 31.12.2018)</b>		
Issuer-Loan supplier		TREASURY
Mediator's code (CUSIP, ISIN etc.)		-
Instruments Legislation subject to		BRSA
<b>Consideration in equity calculation</b>		
1/1/2015 from 10% reduction by being subject to the application		No
Validity status on consolidated or unconsolidated basis or on both consolidated and unconsolidated basis		Unconsolidated
Type of the instrument		Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)		336
Instrument's nominal value (Million TL)		336
Instrument's account recognised		Liabilities Subordinated Loan
Issue date of the instrument		31.12.2018
Instrument's maturity structure (Demand / Term)		Demand
Starting maturity of the instrument		-
Whether the issuer has the right to reimbursement due to BRSA approval		Yes
Reimbursement option date, contingent repayment options and refund amount		-
Subsequent reimbursement option dates		-
<b>Interest / dividend payments</b>		
Fixed or variable interest / dividend payments		-
Interest rate and interest rate index value		-
Whether there are any restrictions that stop the payment of dividends		-
Fully optional, partially optional or mandatory		-
Whether there is an element that will encourage repayment, such as interest rate increases		-
Being cumulative or not be cumulative		-
<b>Convertible to stock</b>		
Triggering event / events that can cause conversion if they can be converted to a stock		-
Full or partial conversion if convertible		-
If convertible, conversion rate		-
If forced to convert to stock, forced or optional conversion feature		-
Convertible instruments types if converted to stock		-
Issuer of a debt instrument to be converted		-
<b>Value reduction feature</b>		
Trigger event / events that will cause a reduction if it has a value reduction feature		-
Total or partial value reduction if value reduction is available		-
Continuous or transient feature		-
Value increment mechanism if the value can be temporarily reduced		-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)		After the borrowing, before the additional capital, same as Tier II Capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity		Complies with the requirements of Article 8 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not		Complies with the requirements of Article 8 of the Regulation on Equity of Banks.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to capital adequacy ratio (Continued)**

**Information on borrowing instruments to be included in the equity calculation (Continued):**

Issuer-Loan supplier	Bank / Turkey Development Fund
Mediator's code (CUSIP, ISIN etc.)	-
Instruments Legislation subject to	BRSA
<b>Consideration in equity calculation</b>	
1/1/2015 from 10% reduction by being subject to the application	No
Validity status on consolidated or base or both consolidated and base	Unconsolidated
Type of the instrument	Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)	997
Instrument's nominal value (Million TL)	997
Instrument's account recognised	Liabilities Subordinated Loan
Issue date of the instrument	24.04.2019
Instrument's maturity structure (Demand / Term)	Demand
Starting maturity of the instrument	-
Whether the issuer has the right to reimbursement due to BRSA approval	Yes
Reimbursement option date, contingent repayment options and refund amount	25.04.2024 (There is an early payment option after the 5th year)
Subsequent reimbursement option dates	-
<b>Interest / dividend payments</b>	
Fixed or variable interest / dividend payments	Fixed Interest
Interest rate and interest rate index value	5,08
Whether there are any restrictions that stop the payment of dividends	-
Fully optional, partially optional or mandatory	-
Whether there is an element that will encourage repayment, such as interest rate increases	-
Being cumulative or not be cumulative	-
<b>Convertible to stock</b>	
Triggering event / events that can cause conversion if they can be converted to a stock	-
Full or partial conversion if convertible	-
If convertible, conversion rate	-
If forced to convert to stock, forced or optional conversion feature	-
Convertible instruments types if converted to stock	-
Issuer of a debt instrument to be converted	-
<b>Value reduction feature</b>	
Trigger event / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)	After borrowings and secondary capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk:**

Credit risk defined as the probability of loss that the Bank may incur as a result of the counterparty's failure to comply its contractual obligation partially or completely in time. The Bank ensures that credit risk is managed in accordance with the volume, nature and complexity of the loans, taking into account the best practices, within the framework of the BRSA regulations.

The most basic banking service provided by the Bank to finance medium and long-term investments, which is the core function of the Bank, is the "project evaluation-based lending activity". Considering the proportional size within the balance sheet structure, credit risk is the most important risk item of the Bank.

The general principle of the risk policies to be monitored by the Bank is to take risks that can be defined, controlled and / or managed in this sense and to strive not to take a risk other than the risks that are inevitable and arising due to the nature of its activities. The risks that the Bank may have in this context are defined as manageable risks as well as the risk of exchange risk depending on the sensitivity of the credit disbursements to comply with the credit extension conditions except for the inevitable credit risk and counterparty risk. The credit risk does not involve additional risks such as the interest risk or maturity risk.

Having a fully functioning mechanism based on activities, the Bank's Lending and Participation Committee is responsible for determining the principles and principles of the Bank's credit, assessing the credit-participation risk and the position of the placements, evaluating the reports prepared for the credit bureau, To continuously monitor lending activities, including the reorganization of the terms of its receivables, to establish the procedures and principles of the Bank's participation policies, and to make the necessary changes within the framework of general economic policies.

All loan placements of the Bank are allocated in accordance with legal legislations and reports prepared by Intelligence and Financial Analysis Department and Loan Assessment Department and with approvals of Lending and Participation Committee and Board of Directors. Since the lending of the Bank are in the form of project financing, the amount of loan that can be disbursed to a firm is basically determined during project assessment stage and disbursements are made in a controlled manner through monitoring of expenditures.

The financial data of the customers are regularly monitored until the collection and liquidation of the risk is completed with respect to the customers that are lended by the bank, and with deferred payment plan. For the customers whose income is above a certain limit or need to be re-evaluated, both the customer and its headquarters and the investment place are examined and detected. A Monitoring Report including recommendations developed as a result of the examinations and detections is being prepared. This implementation of the Bank's problematic loan portfolio review is continuously performed.

Loan balances of borrowers and other receivables are regularly monitored in accordance with the relevant legislation, and in case of an increase in the risk level of the borrower's credit, the credit limits are monitored and additional collateral is taken if necessary.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

For loan allocations, sectors are defined in accordance with borrowing conditions. The sectoral distribution of the loan customers is monitored and those distributions are taken into account during lending decisions and goals.

Bank ensures that credit risk is managed in accordance with the volume, nature and complexity of the loans, taking into account the best practices, within the framework of the BRSA regulations. The Bank ensures that the credit risks of all products, not only loan products, and activities are defined, measured and managed, not limited to loan products only. The Board of Directors constantly reviews, develops and, if necessary, makes adjustments to the system to ensure that the loan decision support systems are in compliance with the structure, size and complexity of the Bank's activities.

The Bank is not subject to the general loan restrictions defined by the Article 54 of the Banking Law numbered 5411. However, in the Bank's internal loan bylaws, the loan limits are determined mostly in parallel with the limitations set out in the Law. Loan monitoring department actively takes part in the measuring, analyzing and monitoring processes in order to determine credit risk level, and reports periodically to the Board of Directors, the Audit Committee and senior management.

Within the framework of the policies determined within the scope of BRSA Accounting and Financial Reporting Legislation;

The Bank evaluates its financial assets in 3 stages based on TFRS 9. In this context, the Bank calculates the lifetime expected credit loss to the relevant loans for loans that have defaulted (Stage 3) and loans that have not yet fallen in default, but with a significant increase in the credit risk at the date of the loan. For other financial assets (Phase 1) covered by the Bank TFRS 9; reflects the calculation including the probability of default in the 12 months after the reporting date as the expected loss provision.

Within the framework of asset-liability management within the Bank, taking into account legal limits, futures and other derivative product transactions are carried out. Credit risk assumed by such transactions is managed together with potential risks arising from market movements. Due to the derivative transactions in question, considering their share in the balance sheet, there is a very low credit risk. When exposure to significant credit risk due to derivative transactions, risks are reduced. There is no option contract in the bank.

Banks, in accordance with the approved TFRS 9 policy by the Board, "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" and "TFRS 9 Communiqué on Turkey Financial Instruments Financial Reporting Standards" is a provision as envisaged.

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to credit risk (Continued):**

Risk categories	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	Risk Amount <sup>(*)</sup>	Average Risk Amount	Risk Amount*	Average Risk Amount <sup>(*)</sup>
Conditional and unconditional receivables to central governments or central banks	1.726.073	1.197.666	108.155	39.164
Conditional and unconditional receivables to banks and brokerage houses	6.142.824	5.736.317	4.353.036	2.956.715
Conditional and unconditional corporate receivables	9.137.319	8.611.751	7.834.979	6.223.703
Conditional and unconditional retail receivables	270.489	316.627	281.376	207.822
Conditional and unconditional receivables secured by real estate property	1.891.750	1.893.109	1.819.301	1.388.675
Overdue receivables	5.579	8.317	50.258	50.393
Receivables defined in high risk category by BRSA	112.351	99.963	93.195	55.598
Other Receivables	162.117	147.387	118.308	101.239

<sup>(\*)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Restructured loans whose amortization schedule has changed are followed in the accounts which are specified by related regulations and monitored in accordance with the Bank's credit risk policies. Accordingly, commercial activities of debtors are analyzed and repayments are monitored whether they are in line with the repayments schedules or not, and necessary precautions are taken.

Since the Bank does not have any risks within the scope of private sector loans and trading accounts in banking accounts in other countries, cyclical capital buffer is not calculated.

- The Bank's top 100 and 200 cash loan customers compose 89,00% and 97,47% of the total cash loan portfolio, respectively (31 December 2018: 86,42% and 96,62%).
- The Bank's top 100 and 200 cash and non-cash loan customers compose 69,49% and 76,10 of the total on and off balance sheet assets, respectively (31 December 2018: 75,46% and 84,35%).
- The Bank's top 100 and 200 non-cash loan customers compose 100% of the total non-cash loans (31 December 2018: 100%).

The Bank provided a general expected credit loss provision (Stage 1 and Stage 2) amounting to TL 115.289. (31 December 2018: general provision TL 226.817).

In the calculation of the ratios mentioned above, the expected loss provisions of the 3rd stage are not taken into consideration.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**Profile of Significant Risks in Major Regions**

	Risk Categories (***)							
	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others
<b>Current Period (31.12.2019)</b>								
Domestic	1,726,073	6,138,963	9,137,319	270,489	1,891,750	5,579	22,135	-
European Union (EU) Countries	-	3,861	-	-	-	-	90,216	-
OECD Countries (*)	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	15,959
Unallocated Assets (**)	-	-	-	-	-	-	-	146,158
<b>Total</b>	<b>1,726,073</b>	<b>6,142,824</b>	<b>9,137,319</b>	<b>270,489</b>	<b>1,891,750</b>	<b>5,579</b>	<b>112,351</b>	<b>162,117</b>
<b>Prior Period (31.12.2018)</b>								
Domestic	108,155	4,307,889	7,834,979	281,377	1,819,301	50,258	35,212	-
European Union (EU) Countries	-	45,147	-	-	-	-	57,983	-
OECD Countries (*)	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	15,241
Unallocated Assets (**)	-	-	-	-	-	-	-	103,067
<b>Total</b>	<b>108,155</b>	<b>4,353,036</b>	<b>7,834,979</b>	<b>281,377</b>	<b>1,819,301</b>	<b>50,258</b>	<b>93,195</b>	<b>118,308</b>

(\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*) Includes asset and liability items that cannot be allocated on a consistent basis.

(\*\*\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**Risk profile by sectors or counterparties:**

Current Period (31 December 2019)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TL	FC	TOTAL
<b>Agriculture</b>	-	-	-	-	-	2	-	-	2	-	2
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	2	-	-	2	-	2
Fishery	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	<b>7.821.512</b>	<b>236.657</b>	<b>1.634.751</b>	<b>1.924</b>	-	-	<b>25.407</b>	<b>9.669.437</b>	<b>9.694.844</b>
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	1.342.408	17.399	94.483	1.924	-	-	11.624	1.444.590	1.456.214
Electricity, Gas, Water	-	-	6.479.104	219.258	1.540.268	-	-	-	13.783	8.224.847	8.238.630
<b>Construction</b>	-	-	<b>13.348</b>	<b>4.534</b>	-	-	-	-	-	<b>17.882</b>	<b>17.882</b>
<b>Services</b>	<b>1.726.073</b>	<b>6.142.824</b>	<b>1.258.931</b>	<b>29.298</b>	<b>256.999</b>	<b>3.653</b>	<b>110.040</b>	-	<b>2.420.647</b>	<b>7.107.171</b>	<b>9.527.818</b>
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	1.113.345	24.639	235.682	3.314	-	-	299.445	1.077.535	1.376.980
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1.726.073	6.142.824	-	-	-	-	110.040	-	2.100.140	5.878.797	7.978.937
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	63.610	2.622	21.317	-	-	-	18.513	69.036	87.549
Health and Social Services	-	-	81.976	2.037	-	339	-	-	2.549	81.803	84.352
Others	-	-	<b>43.528</b>	-	-	-	<b>2.311</b>	<b>162.117</b>	<b>134.789</b>	<b>73.167</b>	<b>207.956</b>
<b>Total</b>	<b>1.726.073</b>	<b>6.142.824</b>	<b>9.137.319</b>	<b>270.489</b>	<b>1.891.750</b>	<b>5.579</b>	<b>112.351</b>	<b>162.117</b>	<b>2.580.845</b>	<b>16.867.657</b>	<b>19.448.502</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**Risk profile by sectors or counterparties:**

<b>Prior Period (31 December 2018)</b>	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TL	FC	<b>TOTAL</b>
<b>Agriculture</b>	-	-	-	-	-	<b>560</b>	-	-	<b>560</b>	-	<b>560</b>
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	560	-	-	560	-	560
Fishery	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	<b>6.285.021</b>	<b>248.952</b>	<b>1.561.709</b>	<b>18.170</b>	-	-	<b>88.582</b>	<b>8.025.270</b>	<b>8.113.852</b>
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	1.382.648	26.996	110.409	9.837	-	-	63.088	1.466.801	1.529.889
Electricity, Gas, Water	-	-	4.902.373	221.956	1.451.300	8.333	-	-	25.494	6.558.469	6.583.963
<b>Construction</b>	-	-	<b>12.021</b>	<b>4.494</b>	-	<b>539</b>	-	-	<b>539</b>	<b>16.515</b>	<b>17.054</b>
<b>Services</b>	<b>108.155</b>	<b>4.353.036</b>	<b>1.491.123</b>	<b>27.931</b>	<b>257.592</b>	<b>30.989</b>	<b>87.116</b>	-	<b>595.413</b>	<b>5.760.528</b>	<b>6.355.941</b>
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	6	1.137.691	17.674	237.987	26.484	-	-	345.496	1.074.345	1.419.841
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	108.155	4.353.030	187.964	-	8.391	-	87.116	-	227.873	4.516.783	4.744.656
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	69.162	2.896	11.214	-	-	-	13.724	69.548	83.272
Health and Social Services	-	-	96.306	7.361	-	4.505	-	-	8.320	99.852	108.172
Others	-	-	<b>46.814</b>	-	-	-	<b>6.079</b>	<b>118.308</b>	<b>124.388</b>	<b>46.813</b>	<b>171.201</b>
<b>Total</b>	<b>108.155</b>	<b>4.353.036</b>	<b>7.834.979</b>	<b>281.377</b>	<b>1.819.301</b>	<b>50.258</b>	<b>93.195</b>	<b>118.308</b>	<b>809.482</b>	<b>13.849.126</b>	<b>14.658.608</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**Analysis of Maturity-Bearing Risks According to Remaining Maturities**

<b>Risk Categories Current Period (31.12.2019)</b>	<b>Term to Maturity</b>				
	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>
Conditional and unconditional receivables to central governments or central banks	14.108	16.653	148.674	85.917	1.456.332
Conditional and unconditional receivables to banks and brokerage houses	2.378.875	-	34.817	-	3.690.401
Conditional and unconditional corporate receivables	435.793	242.894	527.096	1.054.191	8.818.838
Conditional and unconditional retail receivables	10.640	5.930	12.869	25.738	215.312
Conditional and unconditional receivables secured by real estate property	74.413	41.475	90.004	180.007	1.505.851
Receivables defined in high risk category by BRSA	16	20	30	108	2.137
<b>Total</b>	<b>2.913.845</b>	<b>306.972</b>	<b>813.490</b>	<b>1.345.961</b>	<b>15.688.871</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

<b>Risk Categories Prior Period (31.12.2018)</b>	<b>Term to Maturity</b>				
	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>
Conditional and unconditional receivables to central governments or central banks	61.765	887	16.223	8.111	21.169
Conditional and unconditional receivables to banks and brokerage houses	607.239	-	10.000	321.087	3.342.364
Conditional and unconditional corporate receivables	283.374	144.332	273.826	550.871	6.582.576
Conditional and unconditional retail receivables	10.195	4.809	9.851	19.703	236.819
Conditional and unconditional receivables secured by real estate property	65.917	31.091	63.696	127.392	1.531.205
Receivables defined in high risk category by BRSA	8	14	17	195	5.845
<b>Total</b>	<b>1.028.498</b>	<b>181.133</b>	<b>373.613</b>	<b>1.027.359</b>	<b>11.719.978</b>

**Information on Risk Categories**

For the determination of risk weights for risk classes defined in the article 6 of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, all counter parties are treated as non-rated since no rating agency is authorized by the Bank.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**Credit Risk by Risk Weights**

Current Period (31.12.2019)										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity	
Before Credit Risk Mitigation	483.989	-	1.602.105	1.863.170	270.489	15.116.398	112.351	-	2.085	
After Credit Risk Mitigation	483.989	-	1.602.105	2.087.168	264.068	14.898.821	112.351	-		

Prior Period (31.12.2018)										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity	
Before Credit Risk Mitigation	408.412	-	111.207	1.776.895	281.376	11.987.523	88.478	4.717	3.450	
After Credit Risk Mitigation	408.412	-	111.207	2.025.800	272.682	11.747.312	88.478	4.717	-	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**Information by Major Sectors or Type of Counterparties:**

The Bank classifies its loans under the TFRS 9 Policy approved by the Board of Directors and allocates provisions. In this context, the Bank calculates and reflects the lifetime expected credit loss to the relevant loans when the Bank has not fallen into default yet, but there is a significant increase in the credit risk at the date of credit's issuance (Phase 2) and in default (Phase 3).

In the TFRS 9 Provisions Methodology document approved by the Board of Directors of the Bank, it has determined the criteria of "Significantly Increased Credit Risk" and "Classification", and its loans are classified according to these criteria and provision is provided.

**(Current Period 31.12.2019)**

Major Sectors / Counter Parties	Credits		Provisions Expected Credit Loss Provisions (TFRS 9)	
	Impaired Loans (TFRS 9)			
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)		
<b>Agriculture</b>	-	<b>8</b>	<b>6</b>	
Farming and Stockbreeding	-	8	6	
Forestry	-	-	-	
Fishery	-	-	-	
<b>Manufacturing</b>	<b>1.401.504</b>	<b>50.765</b>	<b>91.982</b>	
Mining and Quarrying	-	-	-	
Production	109.893	34.100	32.532	
Electricity, Gas and Water	1.291.611	16.665	59.450	
<b>Construction</b>	-	<b>1.892</b>	<b>1892</b>	
<b>Services</b>	<b>97.443</b>	<b>70.086</b>	<b>66.813</b>	
Wholesale and Retail Trade	19.757	-	26	
Accommodation and Dining	67.297	63.396	60.322	
Transportation and Telecommunication	-	77	77	
Financial Institutions	-	-	-	
Real Estate and Rental Services	-	-	-	
Professional Services	-	-	-	
Educational Services	8.179	-	111	
Health and Social Services	2.210	6.613	6.277	
<b>Others</b>	-	<b>1.106</b>	<b>1.106</b>	
<b>Total</b>	<b>1.498.947</b>	<b>123.857</b>	<b>161.799</b>	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to credit risk (Continued):**

**(Prior Period 31.12.2018)**

Major Sectors / Counter Parties	Credits			Provisions	
	Impaired Loans (TFRS 9)		Non-Performing Loans (Provisioning Regulation)	Expected Credit Loss Provisions (TFRS 9)	Provisions (Provisioning Regulation) (*)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)			
<b>Agriculture</b>	-	-	<b>1.445</b>	-	<b>885</b>
Farming and Stockbreeding	-	-	1.445	-	885
Forestry	-	-	-	-	-
Fishery	-	-	-	-	-
<b>Manufacturing</b>	-	-	<b>50.508</b>	-	<b>32.338</b>
Mining and Quarrying	-	-	-	-	-
Production	-	-	33.843	-	24.006
Electricity, Gas and Water	-	-	16.665	-	8.332
<b>Construction</b>	-	-	<b>1.873</b>	-	<b>1.334</b>
<b>Services</b>	-	-	<b>68.147</b>	-	<b>37.158</b>
Wholesale and Retail Trade	-	-	-	-	-
Accommodation and Dining	-	-	59.115	-	32.631
Transportation and Telecommunication	-	-	72	-	72
Financial Institutions	-	-	-	-	-
Real Estate and Rental Services	-	-	-	-	-
Professional Services	-	-	-	-	-
Educational Services	-	-	-	-	-
Health and Social Services	-	-	8.960	-	4.455
<b>Others</b>	-	-	<b>1.169</b>	-	<b>1.169</b>
<b>Total</b>	-	-	<b>123.142</b>	-	<b>72.884</b>

(\*) Provision amount allocated according to the Provisioning Regulation.

**Information on Movements in Value Adjustments and Provisions:**

Current Period (31.12.2019)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage 3 Provisions	112.829	8.060	(2.611)	-	118.278
2. Stage 1 and 2 Provisions	76.735	38.567	(13)	-	115.289

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to credit risk (Continued):**

<b>Prior Period (31.12.2018)</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
1. Spesifik Provisions	72.409	579	(104)	-	72.884
2. General Provisions	72.623	154.194	-	-	226.817

**III. Explanations related to currency risk:**

The Bank is exposed to currency risk because of inconsistency of the foreign currency denominated asset and liability balances with respect to the transactions made in foreign currencies.

The Bank's currency risk management policy of the Bank defined as, keeping the "Foreign Currency Net Position / Capital Standard" ratio within the legal boundaries with respect to the economic matters, trends in the market and financial position of the Bank. By keeping up with this main goal and with respect to asset and liability management, foreign currency denominated assets are appreciated with the most favorable interest rates in the foreign currency market.

Currency risk is calculated within the scope of the standard method used for legal reporting.

Besides, the exchange rate risk faced by the Bank on a daily basis is determined by preparing the foreign currency balance sheet by covering individual positions. Proforma foreign currency balance sheets are used for the measurement of the future exchange rate risks (including foreign currency-indexed assets and liabilities).

The Bank has no hedging derivative instruments for foreign currency denominated borrowings and net foreign currency investments.

A non-speculative foreign exchange position management policy is followed in order to limit the exposure of the currency risk. In this respect, distribution of foreign currency denominated on balance sheet and off balance sheet items are considered.

In order to reduce the risk of foreign exchange rate fluctuations affecting the financial structure of the bank, the risk of foreign exchange rate of the bank is determined based on the Foreign Currency Net General Position / Equity ratio determined by the BRSA, which is 20%.

The foreign exchange buying rates of the Bank as of the date of the financial statements and the last five business days prior to that date are as follows:

<b>Date</b>	<b>USD</b>	<b>EURO</b>	<b>100 JPY</b>
31/12/2019	5,9320	6,6486	5,4627
30/12/2019	5,9184	6,6156	5,4272
27/12/2019	5,9065	6,5615	5,3980
26/12/2019	5,9102	6,5544	5,4068
25/12/2019	5,9157	6,5581	5,4109

The simple arithmetic average of the last thirty day rates as of 31 December 2019; USD: TL 5,82160, EURO: TL 6,47331, 100 JPY: TL 5,34060.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**III. Explanations related to currency risk (Continued):**

**Information on the currency risk of the Bank:**

<b>Current Period (31.12.2019)</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC <sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	452.928	287.663	386	740.977
Financial assets at fair value through profit and loss	90.216	-	-	90.216
Money market placements	66.486	-	-	66.486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	186.078	44.280	-	230.358
Loans	6.398.222	8.263.047	-	14.661.269
Subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Financial Assets Measured at Amortised Cost	1.028.893	-	-	1.028.893
Derivative financial assets for hedging purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other assets	1.580	28.058	-	29.638
<b>Total assets</b>	<b>8.224.403</b>	<b>8.623.048</b>	<b>386</b>	<b>16.847.837</b>
<b>Liabilities</b>				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	6.803.063	8.561.130	-	15.364.193
Marketable securities issued	-	-	-	-
Sundry creditors	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	1.414.936	53.595	-	1.468.531
<b>Total liabilities</b>	<b>8.217.999</b>	<b>8.614.725</b>	<b>-</b>	<b>16.832.724</b>
Net balance sheet position	6.404	8.324	385	15.113
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	-	-	-	-
<b>Prior Period (31.12.2018)</b>				
Total assets	7.026.222	6.982.705	399	14.009.326
Total liabilities	7.011.667	6.963.003	-	13.974.670
Net balance sheet position	14.555	19.702	399	34.656
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	27.788	-	-	27.788

1) The foreign currencies presented in the other FC column of assets comprise; %2 GBP, % 58 CHF and %40 JPY.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**III. Explanations related to currency risk (Continued):**

**Currency Risk Sensitivity:**

The following table shows the sensitivity of the Bank with 10% change in USD and EURO currencies.

<b>Current Period (31.12.2019)</b>	<b>Increase in Exchange Rates</b>	<b>Effect on Profit/Loss (*)</b>		<b>Effect on Shareholders' Equity</b>	
	<b>%</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
USD	10	(3.596)	(1.686)	4.425	545
EURO	10	(17.968)	(14.150)	18.609	7.413
Other	10	39	40	-	-

<b>Current Period (31.12.2019)</b>	<b>Decrease in Exchange Rates</b>	<b>Effect on Profit/Loss (*)</b>		<b>Effect on Shareholders' Equity</b>	
	<b>%</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
USD	10	3.596	1.686	(4.425)	(545)
EURO	10	17.968	14.150	(18.609)	(7.413)
Other	10	(39)	(40)	-	-

(\*) Indicates the values before tax.

<b>Prior Period (31.12.2018)</b>	<b>Increase in Exchange Rates</b>	<b>Effect on Profit/Loss (*)</b>		<b>Effect on Shareholders' Equity</b>	
	<b>%</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>%</b>	<b>Current Period</b>
ABD Dолари	10	(1.686)	66	545	1.144
EURO	10	(14.150)	(2.649)	7.413	2.382
Diğer	10	40	29	-	29

<b>Prior Period (31.12.2018)</b>	<b>Decrease in Exchange Rates</b>	<b>Effect on Profit/Loss (*)</b>		<b>Effect on Shareholders' Equity</b>	
	<b>%</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
ABD Dолари	10	1.686	(66)	(545)	(1.144)
EURO	10	14.150	2.649	(7.413)	(2.382)
Diğer	10	(40)	(29)	-	(29)

(\*) Indicates the values before tax.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to interest rate risk:**

The interest rate risk indicates the probability of loss that the Bank may incur due to the position of the financial instruments due to movements in the interest rates. Changes in interest rates affect the return on the assets and the cost of the liabilities. Interest rate risk arising from banking accounts, includes re-pricing risk, yield curve risk, base risk and option risk.

The interest rates determined by the market actors, especially the central banks, have a decisive role on the economic value of the Bank's balance sheet and on the Bank's income-loss balance. Sudden interest shocks in the market because the Bank to open the gap between the applied interest rate of the revenue generating assets and the interest paid on the liabilities. The opening of this gap may cause the Bank interest income to be adversely affected by fluctuations in market interest rates and may cause decrease in profitability of the Bank.

The Bank's basic principle in the interest rate risk management policy is to avoid mismatch and provide alignment between loans disbursed with fixed and floating rate and funds provided with fixed and floating rate. Accordingly, interest rate, currency and maturity alignment is respected during the disbursement of loans funded by foreign long-term borrowings, which form the material part of the loan portfolio. Almost the entire loan portfolio is financed by floating rate borrowings, thus interest rate risk from changes in interest rates seems not probable for the loan portfolio because of the correlation provided between the sources and the uses and other loans in the portfolio are financed by the equity of the Bank.

Within the framework of the Bank's basic principle of interest rate risk policy, optimization of portfolio distribution in the management of interest-sensitive assets other than loans is provided by considering possible changes in duration of positions and current interest rate limits; by taking into account alternative return, limits of tolerable loss and risk. In this context, to measure the interest rate risk exposure of the Bank, the effect of days to maturity and profit/loss are analyzed considering the scenarios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probable losses that may arise as a result of fluctuations in interest rates are examined using different markets. Interest rate sensitivity analysis is also made for the positions besides securities portfolio.

There is no interest rate mismatch on loan portfolio as the main principle of interest rate adjustment on the source and disbursement side of the loan portfolio of the Bank. For this reason, the Bank's credit portfolio does not carry any interest rate risk even if it is affected by market volatility. Interest rate-sensitive items on the Bank's balance sheet are limited only to the size of the Financial Assets Measured at Fair Value Through Other Comprehensive Income within the liquid portfolio.

In order to minimize the possibility of unfavorable effects of market interest rate changes on the Bank's financial position, risk limits are used for the management of interest rate risk. These limits are set by Asset-Liability Committee and approved by Board of Directors. The Bank monitors and controls whether interest-sensitive assets are within the determined limits.

In order to minimize the likelihood that the change in market interest rates in the bank's securities portfolio management will cause adverse effects on the financial structure of the bank, limits have been set on the adjusted duration of the securities portfolio and the amount of daily loss that may arise from the securities portfolio.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to interest rate risk (Continued):**

Based on the statutory 20% rate of "The Ratio of Interest Rate Risk Due To Banking Book" determined by the BRSA to the measurement and evaluation of the interest rate risk by using standard shock method, arising from the on-balance sheet and off-balance sheet positions in the banking book within the scope of the interest rate limits of the Bank, is determined with a more conservative approach.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

<b>End of the Current Period (31.12.2019)</b>	<b>Up to 1 Month</b>	<b>1–3 Months</b>	<b>3–12 Months</b>	<b>1–5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	-	-	595	595
Banks <sup>(1)</sup>	2,312,648	-	-	-	-	23,407	2,336,055
Financial assets at fair value through profit and loss	-	-	-	-	-	90,216	90,216
Money market placements	127,246	-	-	-	-	-	127,246
Financial Assets Measured at Fair Value Through Other Comprehensive Income <sup>(3)</sup>	498	-	213,684	466,416	-	8,038	688,636
Loans <sup>(2) (5)</sup>	5,351,652	1,914,411	2,853,378	1,282,266	3,498,211	5,579	14,905,497
Financial Assets Measured at Amortised Cost	12,540	12,731	-	1,028,786	10,189	-	1,064,246
Other assets <sup>(4) (5)</sup>	-	-	-	-	-	163,427	163,427
<b>Total Assets</b>	<b>7,804,584</b>	<b>1,927,142</b>	<b>3,067,062</b>	<b>2,777,468</b>	<b>3,508,400</b>	<b>291,262</b>	<b>19,375,918</b>
<b>Liabilities</b>							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	50,364	-	-	-	-	-	50,364
Sundry creditors	-	-	-	-	-	53,773	53,773
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	3,651,879	2,246,663	4,689,396	2,894,905	1,899,191	-	15,382,034
Other liabilities <sup>(4)</sup>	-	-	-	-	-	3,889,747	3,889,747
<b>Total liabilities</b>	<b>3,702,243</b>	<b>2,246,663</b>	<b>4,689,396</b>	<b>2,894,905</b>	<b>1,899,191</b>	<b>3,943,520</b>	<b>19,375,918</b>
Long position on balance sheet	4,102,341	-	-	-	1,609,209	-	5,711,550
Short position on balance sheet	-	(319,521)	(1,622,334)	(117,437)	-	(3,652,258)	(5,711,550)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
<b>Total position</b>	<b>4,102,341</b>	<b>(319,521)</b>	<b>(1,622,334)</b>	<b>(117,437)</b>	<b>1,609,209</b>	<b>(3,652,258)</b>	<b>-</b>

<sup>(1)</sup> Balances without maturity are shown in the "Non-interest Bearing" column.

<sup>(2)</sup> Net balance of non-performing loans and receivables is shown in "Non-interest Bearing" column.

<sup>(3)</sup> Securities representing a share in capital and investment funds are shown in "Non-interest Bearing" column.

<sup>(4)</sup> Deferred tax asset, shareholders' equity and other non-interest bearing assets and liabilities are shown in "Non-interest Bearing" column.

<sup>(5)</sup> Lease receivables (TL 70) are represented in other assets.

<sup>(6)</sup> The expected credit losses for financial assets and other assets are reflected in the related items.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to interest rate risk (Continued):**

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

<b>End of the Prior Period (31.12.2018)</b>	<b>Up to 1 Month</b>	<b>1–3 Months</b>	<b>3–12 Months</b>	<b>1–5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	-	-	1.430	1.430
Banks <sup>(1)</sup>	355.220	-	-	-	-	64.309	419.529
Financial assets at fair value through profit and loss	-	-	-	-	-	270	270
Money market placements	1.196.351	-	10.000	-	-	-	1.206.351
Financial Assets Measured at Fair Value Through Other Comprehensive Income <sup>(3)</sup>	-	25.890	122.640	62.084	-	8.037	218.651
Loans <sup>(2)</sup>	5.664.194	1.651.160	2.404.835	504.306	3.366.755	50.258	13.641.508
Financial Assets Measured at Amortised Cost	2.088	-	24.334	22.994	-	-	49.416
Other assets <sup>(4)</sup>	-	-	-	-	-	177.655	177.655
<b>Total Assets</b>	<b>7.217.853</b>	<b>1.677.050</b>	<b>2.561.809</b>	<b>589.384</b>	<b>3.366.755</b>	<b>301.959</b>	<b>15.714.810</b>
<b>Liabilities</b>							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	862	-	-	-	-	-	862
Sundry creditors	-	-	-	-	-	33.875	33.875
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	3.365.274	1.964.877	4.318.491	2.267.001	1.672.372	-	13.588.015
Other liabilities <sup>(4)</sup>	-	-	-	-	-	2.092.058	2.092.058
<b>Total liabilities</b>	<b>3.366.136</b>	<b>1.964.877</b>	<b>4.318.491</b>	<b>2.267.001</b>	<b>1.672.372</b>	<b>2.125.933</b>	<b>15.714.810</b>
<b>Long position on balance sheet</b>	<b>3.851.717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.694.383</b>	<b>-</b>	<b>5.546.100</b>
<b>Short position on balance sheet</b>	<b>-</b>	<b>(287.827)</b>	<b>(1.756.682)</b>	<b>(1.677.617)</b>	<b>-</b>	<b>(1.823.974)</b>	<b>(5.546.100)</b>
<b>Long position on off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Short position on off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total position</b>	<b>3.851.717</b>	<b>(287.827)</b>	<b>(1.756.682)</b>	<b>(1.677.617)</b>	<b>1.694.383</b>	<b>(1.823.974)</b>	<b>-</b>

<sup>(1)</sup> Balances without maturity are shown in the “Non-interest Bearing” column.

<sup>(2)</sup> Net balance of non-performing loans and receivables is shown in “Non-interest Bearing” column.

<sup>(3)</sup> Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.

<sup>(4)</sup> Deferred tax asset, shareholders’ equity and other non-interest bearing assets and liabilities are shown in “Non-interest Bearing” column..

<sup>(5)</sup> Lease receivables (TL 20) are represented in other assets.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to interest rate risk (Continued):**

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

<b>End of the Current Period (31.12.2019)</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets (*)</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,39	1,80	-	11,23
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	11,36
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,65	5,26	-	24,54
Loans and Receivables	3,02	5,37	-	15,31
Financial Assets Measured at Amortised Cost	5,07	-	-	18,43
<b>Liabilities (*)</b>				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	10,82
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	1,26	3,69	-	12,50

(\*) Rates shown in the table are calculated by using the annual interest rates.

<b>End of the Prior Period (31.12.2018)</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets (*)</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	1,11	2,25	-	25,41
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	24,68
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,73	4,08	-	15,45
Loans and Receivables	2,76	5,71	-	26,54
Financial Assets Measured at Amortised Cost	-	-	-	17,91
<b>Liabilities (*)</b>				
Interbank deposits	2,60	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	7,35
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	0,71	4,00	-	6,50

(\*) Rates shown in the table are calculated by using the annual interest rates.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**V. Explanations related to equity securities in banking book:**

None.

**VI- Explanations related to liquidity risk management and liquidity coverage ratio:**

**1. Liquidity risk management**

The Bank's liquidity management is managed by Treasury Department in coordination with related departments and the strategies constituted by Asset Liability Committee as part of "Risk Management Strategies, Policies and Application Principles" that is approved by the Board of Directors. The liquidity risk management as per the implementation principles are stated as follows:

Liquidity risk refers to the probability that the Bank will incur the consequential loss that it cannot anticipate or face unforeseeable, all cash flow requirements without affecting the day-to-day operations or financial structure.

Liquidity risk also represents the possibility of loss due to Bank's inability of settling with market prices since the lack of depth and excessive fluctuations in the market.

The main policy of Liquidity Risk Management in the Bank is to provide quality asset structure in which any liabilities can be fulfilled. Since the Bank is specialized, its liquidity need is more predictable as compared to commercial banks, and ensures cash flows provided for its liabilities more regularly.

The type, maturity structure and compliance of interest rates with assets and liabilities in the balance sheet, is assured within the framework of the Asset Liability Management Committee's decisions. The Bank keeps liquidity ratios within risk limits as set out in legal legislation and follows regularly.

In order to manage liquidity risk, proforma cash flows are set on the basis of predictable data by evaluating the maturities of asset and liability structure. Proper placement of liquidity excess considering alternative gains and meeting liquidity needs with the most appropriate cost of funding is essential.

Additionally, monthly proforma cash flows and balance sheet durations regarding the fulfilment level of medium and long term liabilities are traced in order to determine early factors that generate risk.

Mainly for risk measurement and monitoring activities to determine the level of liquidity risk;

The liquidity risk of the Bank is calculated by using "Liquidity Analysis Forms" in accordance with the form determined by the BRSA and reported to the BRSA on a weekly and daily basis.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):**

Limits on liquidity risk are determined under; the legal limitations set out by the BRSA and the Liquidity Emergency Plan Directive of the Bank". The Bank's "Liquidity Emergency Plan Directive" came into force with the decision of the Board of Directors dated 27 October 2016 and numbered 2016-20-10 / 180. Situations that require the implementation of the Liquidity Emergency Plan are followed by indicators derived from bank-specific (internal) and financial market developments. The Liquidity Emergency Plan includes actions to ensure that the Bank fulfills its obligations at its current level and to maintain liquidity at the level required by the Bank or to achieve liquidity at acceptable costs and to provide the necessary liquidity with the objective of protecting the Bank's reputation.

In the Bank's liquidity risk management, limitations of the related regulations of BRSA, Bank's "Risk Management Strategies, Policies and Implementation Fundamentals" and internal risk limitations that are determined by general market conditions are fundamental. Consequently, active units within the liquidity risk management Department of Treasury being in the first place, act according to these limitations. First limitation on legal requirements set by the BRSA is; as per the regulation on "Calculation of Liquidity Coverage Ratio", minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits. On the other hand investment and development banks are exempt from those limitations until BRSA has determined otherwise.

The Bank's internal reporting within the scope of liquidity risk management consists of daily, weekly and monthly reports that are prepared by the Risk Monitoring Department. Daily balance sheet and duration calculations are prepared by risk monitoring department. On weekly reports, which are prepared by the same department, liquidity limits are monitored. Weekly realized liquidity limits determined by Board of Directors is aggregated in monthly risk limits monitoring report. Those reports investigate legal risks and adaption of early warning limits. Also, to monitor liquidity risk in "TKB Riskness Analysis According to Selected Indicators and Risk Groups" report prepared monthly includes;

- Proforma Cash Flows Statement,
- Proforma Currency Balance Sheet
- Duration of Balance Sheet items, - in detail-Marketable Securities (by class of financial instruments)
- Summary of liquidity forms sent to BRSA by Financial Accounting Department. Proforma cash flows statement and amount of future liquid assets in different scenarios for one year period.

Related report is presented to the Board of Directors; the Audit Committee and senior management on a monthly basis. By taking into consideration these reports, the Asset Liability Committee and Audit Committee evaluate the liquidity position of the Bank, and results of liquidity measurement system are included in the decision making process.

Regarding the liquidity risk, as well as legal limits, internal limits have been determined in accordance with its own internal procedures, mission and risk appetite, as included in the Bank's risk policies. These limits have been determined by the Board of Directors in excess of legal limits, including early warning limits, and are revised annually.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):****2. Liquidity coverage ratio**

According to regulation “Regulation on Banks' Liquidity Coverage Ratio Calculation” which is published in the Official Gazette numbered 28948 on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last 3 months unconsolidated foreign currency and total liquidity coverage ratio and minimum and maximum levels are shown below by specified weeks:

	<b>Liquidity Coverage Ratio(Weekly Unconsolidated Report )</b>			
	FC	Date	FC+TL	Date
<b>Current Period (31.12.2019)</b>				
Maximum (%)	100	04.10.2019	764	04.10.2019
Minimum (%)	62	13.12.2019	219	15.11.2019

	<b>Liquidity Coverage Ratio(Weekly Unconsolidated Report )</b>			
	FC	FC	FC	FC
<b>Prior Period (31.12.2018)</b>				
Maximum (%)	632	26.10.2018	791	19.10.2018
Minimum (%)	86	14.12.2018	249	14.12.2018

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):**

**2. Liquidity coverage ratio (Continued):**

	<b>Total Unweighted Value (Average) (*)</b>	<b>Total Weighted Value (Average) (*)</b>		
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>Current Period (31.12.2019)</b>				
<b>HIGH-QUALITY LIQUID ASSETS</b>			<b>610.262</b>	<b>125.395</b>
Total high-quality liquid assets (HQLA)			610.262	125.395
<b>CASH OUTFLOWS</b>				
Retail and small business customers deposits	-	-	-	-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
Unsecured funding other than retail and small business customers deposits	<b>487.569</b>	<b>450.838</b>	<b>475.278</b>	<b>450.838</b>
Operational deposits	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured funding	487.569	450.838	475.278	450.838
Secured wholesale funding			-	-
Other cash outflows	<b>99.527</b>	<b>9.975</b>	<b>99.527</b>	<b>9.975</b>
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	99.527	9.975	99.527	9.975
Debts related to structured financial products	-	-	-	-
Payment commitments related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time and other contractual commitments	1.704.447	1.474.447	85.222	73.722
Other irrevocable or conditionally revocable commitments	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>660.027</b>	<b>534.535</b>
<b>CASH INFLOWS</b>				
Secured receivables	189.814	175.966	189.814	175.966
Unsecured receivables	2.220.170	995.978	2.219.549	995.357
Other cash inflows	99.044	90.116	99.044	90.116
<b>TOTAL CASH INFLOWS</b>	<b>2.509.028</b>	<b>1.262.060</b>	<b>2.508.407</b>	<b>1.261.439</b>
			Total Adjusted Value	
<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>610.262</b>	<b>125.395</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>165.007</b>	<b>133.634</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>370</b>	<b>94</b>

(\*)The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):**

**2. Liquidity coverage ratio (Continued):**

Prior Period (31.12.2018)	Total Unweighted Value (Average) (*)	Total Weighted Value (Average) (*)		
	TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>				
Total high-quality liquid assets (HQLA)	-	-	<b>374.836</b>	<b>233.073</b>
<b>CASH OUTFLOWS</b>			374.836	233.073
Retail and small business customers deposits	-	-	-	-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
Unsecured funding other than retail and small business customers deposits	-	-	-	-
Operational deposits	164.184	137.897	155.814	137.851
Non-operational deposits	-	-	-	-
Other unsecured funding	-	-	-	-
Secured wholesale funding	164.184	137.897	155.814	137.851
Other cash outflows	-	-	-	-
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	13.807	13.435	5.802	5.430
Debts related to structured financial products	465	93	465	93
Payment commitments related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time and other contractual commitments	13.342	13.342	5.337	5.337
Other irrevocable or conditionally revocable commitments	2.803.426	2.421.933	140.171	121.097
<b>TOTAL CASH OUTFLOWS</b>	-	-	-	-
<b>CASH INFLOWS</b>	-	-	<b>301.787</b>	<b>264.378</b>
Secured receivables				
Unsecured receivables	199.481	187.538	199.481	187.538
Other cash inflows	1.067.081	387.270	1.066.362	386.551
<b>TOTAL CASH INFLOWS</b>	463	370	463	370
	<b>1.267.025</b>	<b>575.178</b>	<b>1.266.306</b>	<b>574.459</b>
<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			Total Adjusted Value	
<b>TOTAL NET CASH OUTFLOWS</b>			<b>374.836</b>	<b>233.073</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>75.447</b>	<b>66.095</b>
<b>HIGH-QUALITY LIQUID ASSETS</b>			<b>497</b>	<b>353</b>

(\*)The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):**

**3. Explanations Liquidity Coverage Ratio**

**Significant factors that impact the result of liquidity coverage ratio and change of the items in time that are taken into account in calculation of this ratio**

The significant factors that impact liquidity provision rate are net cash outflows and high quality assets stock. Items in the calculation of the rate in consideration may be changed in time because of economic structure and decisions of the Bank on fund management.

**The explanation about elements of the high quality liquid assets**

High quality liquid assets mostly consist of domestic government bonds, and eurobonds.

**Content or funds and their composition**

The main fund source of the Banks is long term borrowings which are provided by the International Financial Organizations. The coverage of these sources in all funds is approximately 91,5 percent. The 0,1% of the Bank's total fund is provided by funds and 8,4% of the Bank's total fund is provided by the subordinated loans.

**Cash outflows generating from derivative transactions and information about which transactions are subject to collateral margin**

The Banks' derivative transactions are mainly maturity based transactions. As 31 December 2018, there is no derivative transactions. In the period, incomes and expenses of derivative transactions done are accounted in foreign exchange gains and losses. There is no collateral margin completion transaction.

**Counterparty and product-based funding sources and concentration limits on collateral**

The funds of the Bank which operates as a development bank are mainly from international development banks and financial organizations. There is no concentration limit on counterparty or product.

**The operational and legal factors that hinder liquidity transfer which is needed by the bank itself, its foreign branch and its consolidated subsidiary, and respective liquidity risk.**

None.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):**

**4. Maturity analysis of assets and liabilities according to remaining maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1)</sup>	Total
<b>Current Period (31.12.2019)</b>								
Assets								
Cash (Cash on hand, Money in Transit, Purchased Cheques and Balances with Central Bank)	595	-	-	-	-	-	-	595
Banks	23.407	2,312.648	-	-	-	-	-	2,336.055
Financial Assets at Fair Value through Profit/Loss	90.216	-	-	-	-	-	-	90.216
Interbank Money Market Placements	-	127.246	-	-	-	-	-	127.246
Financial Assets Measured at Fair Value Through Other Comprehensive Income	8.038	1.568	3.730	257.562	417.738	-	-	688.636
Loans <sup>(2)</sup>	-	440.401	245.474	1,609.746	9,220.686	3,383.611	5.579	14,905.497
Financial Assets Measured at Amortised Cost	-	12.540	12.923	189	1,028.594	10.000	-	1,064.246
Other Assets <sup>(2)</sup>	-	-	-	-	-	-	-	163.427
<b>Total Assets<sup>(3)</sup></b>	<b>122.256</b>	<b>2,894.403</b>	<b>262.127</b>	<b>1,867.497</b>	<b>10,667.018</b>	<b>3,393.611</b>	<b>169.006</b>	<b>19,375.918</b>
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Other Funding	-	164.444	225.634	1,052.094	8,439.200	5,500.306	356	15,382.034
Interbank Money Market Takings	-	50.364	-	-	-	-	-	50.364
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	53.773	-	-	-	-	-	-	53.773
Other Liabilities <sup>(2)</sup>	-	4.366	41.477	-	-	-	3,843.904	3,889.747
<b>Total Liabilities</b>	<b>53.773</b>	<b>219.174</b>	<b>267.111</b>	<b>1,052.094</b>	<b>8,439.200</b>	<b>5,500.306</b>	<b>3,844.260</b>	<b>19,375.918</b>
Liquidity Gap	68.483	2,675.229	(4.984)	815.403	2,227.818	(2,106.695)	(3,675.254)	-
Net Off-Balance Position	-	-	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	13	-	-	-	-	-	-	13
<b>Prior Period (31.12.2018)</b>								
Total Assets	74.046	1,914.505	203.591	1,512.842	8,534.894	3,247.019	227.913	15,714.810
Total Liabilities	33.875	114.814	189.752	1,282.984	6,963.779	5,072.264	2,057.342	15,714.810
Liquidity Gap	40.171	1,799.691	13.839	229.858	1,571.115	(1,825.245)	(1,829.429)	-
Net Off-Balance Position	-	-	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	37	-	21.349	6.439	-	-	-	27.825

<sup>(1)</sup> Assets, such as fixed assets, associates, subsidiaries, property value, prepaid expenses and net non performing receivables, other asset accounts that would not be converted to cash in a short time period and needed to be used in the banking activities; Liabilities and equity accounts, such as the accounts with no maturities and provisions, are shown in the undistributed column. Deferred tax asset is included in the undistributed column.

<sup>(2)</sup> Lease receivables (TL 70) are represented in other assets.

<sup>(3)</sup> The expected credit losses for financial assets and other assets are reflected in the related items.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to liquidity risk management and liquidity coverage ratio (Continued):**

**Remaining maturity of contractual financial liabilities:**

In compliance with the TFRS 7, the following table indicates the maturities of the Bank's major non-derivative financial liabilities. The following tables have been prepared by referencing the earliest dates of payments without discounting the liabilities. The interest to be paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The balances of the related liabilities in balance sheet do not include these amounts.

<b>Current Period (31.12.2019)</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds provided from other financial institutions	166.679	235.443	1.271.985	10.907.184	6.238.001	(3.437.258)	15.382.034
Money market borrowings	50.364	-	-	-	-	-	50.364
<b>Total</b>	<b>217.043</b>	<b>235.443</b>	<b>1.271.985</b>	<b>10.907.184</b>	<b>6.238.001</b>	<b>(3.437.258)</b>	<b>15.432.398</b>

<b>Prior Period (31.12.2018)</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds provided from other financial institutions	117.490	168.377	1.227.179	8.220.372	5.820.939	(1.966.343)	13.588.015
Money market borrowings	862	-	-	-	-	-	862
<b>Total</b>	<b>118.352</b>	<b>168.377</b>	<b>1.227.179</b>	<b>8.220.372</b>	<b>5.820.939</b>	<b>(1.966.343)</b>	<b>13.588.877</b>

The following table shows non-cash loans according to remaining maturities.

<b>Current Period (31.12.2019)</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
Letters of Credit	-	-	-	-	-	-	-
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	13	-	-	-	-	-	13
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>

<b>Prior Period (31.12.2018)</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
Letters of Credit		-	21.349	6.439	-	-	27.788
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	37						37
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>37</b>	<b>-</b>	<b>21.349</b>	<b>6.439</b>			<b>27.825</b>

As of 31 December 2019, the Bank has no derivative financial assets and liabilities.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanation of leverage ratio:**

In the current period, the rate of increase in tier I capital was realized higher than the rate of increase in the total amount of risk. The Banks's leverage ratio as of 31 December 2019 calculated by taking average of leverage ratios for the last three months is 16,91% (31 December 2018: 8,83%). The fact that the current period leverage ratio is more than the leverage ratio of the previous period is due to the fact that the tier I capital amount has increased more than the total risk amount related to-balance sheet assets.

<b>On-balance sheet assets (*)</b>	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	19.305.655	15.358.934
(Assets deducted in determining Tier 1 capital)	-	-
Total balance sheet exposures	19.305.655	15.358.934
<b>Derivative financial instruments and loan derivatives</b>		
Replacement cost of derivative financial instruments and loan derivatives	-	-
Potential loan risk of derivative financial instruments and loan derivatives	-	-
Total derivative financial instruments and loan derivatives exposure	-	-
Securities financing transaction exposure		
Risks from securities financing transaction exposure assets		
	-	-
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	-	-
<b>Off-balance sheet items</b>		
Gross notional amounts of off-balance sheet items	1.792.309	2.551.988
(Adjustments for conversion to credit equivalent amounts)	(1.590.792)	(2.251.269)
Total risks of off-balance sheet items	201.517	300.719
<b>Capital and total risks</b>		
Tier 1 capital	3.299.158	1.381.590
Total risks	19.507.172	15.659.653
<b>Leverage ratio</b>		
Leverage ratio	<b>16,91</b>	<b>8,83</b>

(\*) Calculated by taking the average of the last three months financial statements.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****VIII. Explanation related to presentation of financial assets and liabilities at fair value:**

When fair value of financial assets and liabilities are determined, discounted values are taken into consideration according to remaining maturities. Transactions traded on the stock exchange are valued by using the daily weighted average prices of the last working day on the balance sheet date based on the stock market value.

	Book Value (*)		Fair Value	
	Current Period (31.12.2019)	Prior Period (31.12.2018)	Current Period (31.12.2019)	Prior Period (31.12.2018)
<b>Financial Assets</b>	<b>19.234.930</b>	<b>15.535.725</b>	<b>19.281.734</b>	<b>15.626.226</b>
Money markets placements	127.505	1.206.351	127.505	1.206.351
Banks	2.343.082	419.529	2.343.082	419.529
Financial Assets Measured at Fair Value Through Other Comprehensive Income	688.636	218.921	688.636	218.921
Financial Assets Measured at Amortised Cost	1.066.213	49.416	1.066.501	48.682
Loans	15.009.494	13.641.508	15.056.010	13.732.743
<b>Financial Liabilities</b>	<b>16.837.862</b>	<b>13.958.951</b>	<b>17.876.294</b>	<b>14.015.936</b>
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds provided from other financial institutions	15.382.034	13.588.015	16.420.466	13.645.000
Subordinated debt	1.402.055	336.270	1.402.055	336.270
Marketable securities issued	-	-	-	-
Sundry creditors	53.773	34.666	53.773	34.666

(\*)The book values of financial assets and financial liabilities are stated in the book values by adding accrual amounts at the end of the period..

Methods and estimations used for the fair value determination of financial instruments which are not presented with their fair values in the financial statements:

- i- For the fair value determination of loans, interest rates as of balance sheet date are considered.
- ii- For the fair value determination of banks, interest rates as of balance sheet date are considered.
- iii- For the fair value determination of investments held-to-maturity, market prices as of the balance sheet date are considered.
- iv- For the fair value determination of the funds provided from other financial institutions, alternative resource interest rates are considered.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Explanation related to presentation of financial assets and liabilities at fair value (Continued):**

**Information on fair value measurements recognized in the financial statements:**

TFRS 7 “Financial Instruments: Disclosures” standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified. According to this standard, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles.

<b>Current Period (31.12.2019)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through profit and loss</b>	-	-	<b>90.216</b>
Debt securities	-	-	-
Share certificates	-	-	90.216
Derivative financial assets held for trading	-	-	-
Other	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income <sup>(1)</sup></b>	<b>680.599</b>	-	-
Debt securities	680.599	-	-
Other	-	-	-
<b>Investment in subsidiaries and associates <sup>(2)</sup></b>	-	-	-
<b>Derivative financial liabilities</b>	-	-	-

(1) Since they are not traded in an active market, share certificates amounting to TL 8.037 (with a cost of TL 10.847 and provision for impairment TL 2.810) under financial assets at fair value through other comprehensive income are shown in the financial statements with their acquisition costs, therefore not included in the table.

(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost, these companies are not included in the table.

<b>Prior Period (31.12.2018)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through profit and loss</b>	-	-	<b>270</b>
Debt securities	-	-	-
Share certificates	-	-	270
Derivative financial assets held for trading	-	-	-
Other	-	-	-
<b>Financial assets available-for-sale <sup>(1)</sup></b>	<b>210.704</b>	-	-
Debt securities	210.704	-	-
Other	-	-	-
<b>Investment in subsidiaries and associates <sup>(2)</sup></b>	-	-	<b>57.713</b>
<b>Derivative financial liabilities</b>	-	-	-

(1) Since they are not traded in an active market, share certificates amounting to TL 8.037 (with a cost of TL 10.847 and provision for impairment TL 2.810) under financial assets available-for-sale are shown in the financial statements with their acquisition costs, therefore not included in the table.

(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost these companies are not included in the table.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****VIII. Explanation related to presentation of financial assets and liabilities at fair value (Continued)**

The table below shows the movement table of level 3 financial assets.

<b>Level 3 Movement Table</b>	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
<b>Balance at the Beginning of the period</b>	<b>57.983</b>	<b>35.992</b>
Purchases During the Period	-	270
Disposals Through Sale/Redemptions	-	-
Valuation Effect	32.233	21.721
Transfers	-	-
<b>Balance at the End of the period</b>	<b>90.216</b>	<b>57.983</b>

**IX. Explanations related to transactions made on behalf of others and items held in trust:**

The Bank acts as an intermediary for purchases and sales of securities on behalf of others and provides custody services. Besides, the Bank acts as an intermediary for implementation of tourism and infrastructure investments on behalf of Republic of Turkey Ministry of Culture and Tourism.

The Bank has no fiduciary transactions.

**X. Explanations on risk management:****1. General information on risk management and risk weighted amounts:****The Bank's risk management approach:**

It should be emphasized firstly that the Bank is actively using committees and risk budgeting in decision-making mechanisms and risk management processes while assessing risk management performance in addition to the functional and financial performance, which has operational mechanisms based on a wide range of activities. Within the framework of the Bank's vision, mission, strategic objectives and targets set by the Board of Directors and risk management policies and strategies; the Asset and Liability Management Committee and the Credit Participation Committee constitute two main committees that play a critical role in the execution of the Bank's activities; which the Asset and Liability Management Committee ensuring that the assets and liabilities are managed effectively and efficiently by taking into consideration the current and possible economic developments and the factors such as interest, maturity and currency, and establishing coordination and communication between the Senior Management and the Bank's units, and the Credit Participation Committee with the function of determining the principles of lending, evaluating the credit-participation risk and the situation of the investment, evaluating the reports prepared on the loan appraisal and in summary taking care of all the lending activities. Within the framework of the short-term strategies determined by the Asset and Liability Management Committee in line with the vision and strategic objectives of the Bank's Strategic Plan, each of the units in the Bank comply with these targets and the risk budgeting application based on the consolidation of these budgets are applied to contribute to the basic activities of the Bank.

Risk monitoring processes constitute the main determinant of risk management policies in decision making processes in the Bank. The organizational structure of the risk monitoring processes is composed of, the "Internal Control" and "Risk Monitoring" Directorates which the duties and authorities established within the Bank with the decision of the Board of Directors pursuant to the Banking Law and the BRSA legislation, the Audit Committee and the Internal Inspection Department. The units within the internal systems of the Bank and the Audit Committee undertake their activities in accordance with the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" dated 11/07/2014 and numbered 29057 of the BRSA.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**1. General information on risk management and risk weighted amounts (Continued):**

**The Bank's risk management approach (Continued):**

The general principle of the risk policies followed by the Bank where the implementation of committees and risk budgeting actively in decision-making mechanisms and risk management processes; which was approved by Board of Directors dated 11.01.2016, 2016-01-15/015 stated in the Bank's "Risk Management Strategies, Policies and Implementation Principles", "To specialize in the activities in accordance with the mission, vision and structure determined by the Establishment Law, to take risks that can be identified, controlled and / or managed ", and to make efforts to avoid any risks other than the risks inevitable and arising as part of the nature of the activities". While the Bank is specializing in its activities in accordance with its vision and structure in line with this general principle, it shapes the asset composition in line with this principle and in the risk management policy it is subject to the principle of "taking risks that can be controlled and / or managed, not taking any risks other than the risks that are unavoidable and to apply this principle as much as possible. In this context, it is the basic principle to ensure that the risks to be taken are defined and manageable.

In addition, to the extent that risk measurement and reporting techniques allow, measurement of the present and future potential impacts of the risks taken is made possible and written limits for the risks arising from the operations of the Bank and for the digitization are determined according to the BRSA (BDDK) regulations. Therefore, the risk appetite of the Bank is determined and monitored by the risk limits prepared in accordance with the provisions of Article 39 titled "Risk Appetite Structure" of Internal Systems and ICAAP Regulations of Banks No. 29057 issued by the BRSA and published in the Official Gazette on 11 July 2014. "Risk Limits and Implementation Principles", which are revised by the Risk Monitoring Department annually in accordance with the Bank's risk policies and accepted by the Board of Directors, are the main policy that determines the Bank's risk appetite structure.

According to the "Risk Limits and Implementation Guidelines" which is the most important indicator of the risk appetite of the bank, limits, early warning limits and actions to be taken in case of exceeding limit are determined by basic risk groups. In determining limits, the legal limits shape the general framework. However, in addition to the principle of prudence in risk management, specific limits specific to the Bank are also set for each risk type. The early warning limits are intended to prevent limit overs, and the limits are set one level below (or above). Each risk group covered by the Bank's risk limits is monitored by reports made to the Senior Management and the Audit Committee on a daily, weekly, monthly basis by the Risk Monitoring Department and is first informed to the relevant unit in the framework of the actions to be taken in determining the elimination of exceeded limits.

It is clear that both the decision-making mechanisms and the risk management processes are the general principle of risk policies and the Bank has a "risk avoider" risk appetite within the framework of risk limits and implementation principles.

The limits stated in the text of "Risk Appetite Structure, Risk Limits and Implementation Principles" approved by the Board of Directors within the framework of the 37th article of "Regulation on Internal Systems of Banks" issued by the BRSA for quantifiable risks arising from the activities of the Bank are determined, . The Risk Monitoring Department monitors compliance with these limits and regularly reports to the Board of Directors, the Audit Committee and the Senior Management.

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**1. General information on risk management and risk weighted amounts (Continued):**

**The Bank's risk management approach (Continued):**

Stress test scenario analyzes carried out by our Bank within the scope of risk management activities include various techniques to measure the potential resilience of the bank portfolio against unexpected risks. Capital Planning Buffer prepared in accordance with the provisions of the "Stress Test Program" specified in article 43 of "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" and Guidelines for Stress Tests to be Used by Banks in Capital and Liquidity Planning and specified in Article 59 of the Regulation. The results of the implementation of the scenarios determined by the BRSA used in the calculation are sent to the BRSA within the scope of the ISEDES (Internal Capital Adequacy Assessment Process) Report prepared by our unit annually. In the ISEDES Report, the Bank's capital adequacy level is evaluated by applying the BRSA and our Bank scenarios on the Bank's 3-year Strategic Plan predictions.

The stress test scenario analyzes, which are updated quarterly for our bank, are also structured in a structure parallel to ISEDES practices. Stress testing is carried out by applying two negative scenarios of the relevant year, determined by the BRSA, to the financial statements and capital adequacy ratio components of the period to be tested.

In the stress test study, shocks are given on the basis of two basic parameters (interest and exchange rate), and these shocks are based on each parameter and each scenario;

- i- Balance sheet and income statement
- ii- Legal equity
- iii- Risk Weighted Assets (RWA)
- iv- Capital Adequacy Ratio (CAR)

the effects on it are evaluated.

The first parameter used in the scenario analysis is the exchange rate and the other is the interest rates. Exchange rate and interest shocks are designed as base, negative and extremely negative scenarios sent by BRSA.

On the Bank's securities portfolio (Trading Portfolio and Available-for-Sale Portfolio), portfolio sensitivity is firstly calculated against changes in interest rates, and two separate scenarios are set forth to compensate for the potential loss arising from adverse interest rate changes.

The Bank's "Proforma Cash Flows Statement" analysis, which is prepared based on the possible cash inflows and outflows in the next one-year period, including seven different scenarios, ranging from 45 percent to 95 percent of "loan collection rates" and implicitly including currency and interest forecasts, it is the most detailed scenario analysis that the Bank has prepared. In this analysis, the effects of different collection ratios on the liquidity risk of the Bank are evaluated.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**1. General information on risk management and risk weighted amounts (Continued):**

**Overview of risk weighted amounts:**

		Risk Weighted Amount		Minimum Capital Requirement	
		Current Period (31.12.2019)	Prior Period (31.12.2018)	Current Period (31.12.2019)	Prior Period (31.12.2018)
1	Credit risk (excluding counterparty credit risk) (CCR)	16.628.634	13.126.744	1.330.291	1.050.140
2	Of which standardized approach (SA)	16.628.634	13.126.744	1.330.291	1.050.140
3	Of which internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	769	2.372	61	190
5	Of which standardized approach for counterparty credit risk (SA-CCR)	769	2.372	61	190
6	Of which internal model method (IMM)	-	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-	-
8	Equity investments in funds – look-through approach	-	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization exposures in banking book	-	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-	-
15	Standard Of which SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market Risk	20.063	36.025	1.605	2.882
17	Of which standardized approach (SA)	20.063	36.025	1.605	2.882
18	Of which internal model approaches (IMM)	-	-	-	-
19	Operational Risk	597.609	399.124	47.809	31.930
20	Of which basic indicator approach	597.609	399.124	47.809	31.930
21	Of which standardized approach	-	-	-	-
22	Of which advanced measurement approach	-	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-	-
24	Floor adjustments	-	-	-	-
25	<b>Total</b> <b>(1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>17.247.075</b>	<b>13.564.265</b>	<b>1.379.766</b>	<b>1.085.142</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations**

**General qualitative information on credit risk:**

The Bank calculates its legal credit risk as per the framework of the "Regulation on the Measurement and Evaluation of Banks' Capital Adequacy" and Basel II criteria. The management of credit risk is essential in such a way as to ensure that the standard ratio of legal capital adequacy is above the minimum limit of existing regulations.

Within the scope of "Basel II application" under the measure of credit risk, the standard method prescribed by the BRSA is used and this measurement method based on weighting to the classes and guarantees of the loans is embodied in the KR520 form which is reported monthly to the BRSA. There are basically 3 main headings of the form:

- Risk Classes,
- Credit Risk Reduction Techniques and Credit Risk Substitution Effects,
- Distribution by Risk Weights.

In order to determine the credit risk, the Bank's Risk Weighted Assets are classified by "Separation on the basis of risk classes". After the asset is classified according to the risk classes, collaterals received on loans are assessed under Basel II "Credit Risk Mitigation Techniques and Credit Risk Substitution Effects". The credit risk is measured monthly within the standard method framework, by using the algorithm in the "Basel II Credit Rating Classification".

The Bank provides for the measurement, monitoring, stress testing and scenario analysis studies that are in line with the volume, quality and complexity of the credit risk management and reporting results to the Audit Committee and the Board of Directors.

Moving from the Bank's loan portfolio structure for risk measurement and monitoring activities besides the standard method for determining the level of credit risk that the bank may encounter;

- Credit Risks by Sectors
- Credit Risks by Region
- Non-performing Loans Analysis
- Concentration Analysis of Credits
- Risks Weights of Loan Collaterals
- Sectoral Risks According to Risk Weights of Loans
- Distribution of Loans by Maturity and Source
- Distribution of Performing Credits is analyzed and reported.

In the Bank's credit risk management policy, diversification of credit portfolio is essential. Although the Bank is not subject to the credit restrictions imposed on banks accepting deposits pursuant to Article 77 of the Banking Law No. 5411, the Bank has determined its credit limits with the "Credit Regulation" dated January 2019, published with the approval of the Board of Directors. Credit risk limits are determined in the text of "Risk Appetite Structure, Risk Limits and Implementation Principles" approved by the Board of Directors, and the limits are monitored daily, weekly and monthly by the Risk Management unit and reported to the Top Management.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations (Continued):**

**Credit quality of assets:**

Current Period (31.12.2019)		Default (a)	Not Overdue (b)	Provisions/Amortisations and Impairment (c)	Net Value (a+b-c)
		Gross carrying value as per TAS			
1	Loans	123.857	15.003.915	(222.275)	14.905.497
2	Debt securities	-	1.746.864	(52)	1.746.812
3	Off-balance sheet assets	1	12	(1)	12
<b>4</b>	<b>Total</b>	<b>123.858</b>	<b>16.750.791</b>	<b>(222.328)</b>	<b>16.652.321</b>

Prior Period (31.12.2018)		Default (a)	Not Overdue (b)	Provisions/Amortisations and Impairment (c)	Net Value (a+b-c)
		Gross carrying value as per TAS			
1	Loans	123.142	13.591.270	(72.884)	13.641.528
2	Debt securities	-	262.567	( 2.537)	260.030
3	Off-balance sheet assets	2	27.825	(2)	27.825
<b>4</b>	<b>Total</b>	<b>123.144</b>	<b>13.881.662</b>	<b>(75.423)</b>	<b>13.929.383</b>

**Changes in non-performing loans and debt securities:**

**Current Period (31.12.2019)**

1	Defaulted loans and debt securities at the end of prior reporting period	119.465
2	Defaulted loans and debt securities from last reporting period	7.616
3	Receivables that are not defaulted	( 3.224)
4	Amounts written off	-
5	Other Changes	-
6	Defaulted loans and debt securities at the end of reporting period (1+2-3-4+-5)	123.857

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on risk management (Continued):****2. Credit risk explanations (Continued):****Changes in non-performing loans and debt securities (Continued):****Prior Period (31.12.2018)**

1	Defaulted loans and debt securities at the end of prior reporting period	123.090
2	Defaulted loans and debt securities from last reporting period	402
3	Receivables that are not defaulted	(350)
4	Amounts written off	-
5	Other Changes	-
6	Defaulted loans and debt securities at the end of reporting period (1+2-3-4+-5)	123.142

**Additional disclosures about the credit quality of assets:**

The Bank evaluates its financial assets in 3 stages based on TFRS 9. In this context, the Bank calculates the lifetime expected credit loss to the relevant loans for loans that have defaulted (Stage 3) and loans that have not yet fallen in default, but with a significant increase in the credit risk at the date of the loan. For other financial assets (Stage 1) covered by the Bank TFRS 9; reflects the calculation that includes the probability of default in the 12 months after the reporting date as the expected loss provision.

Loans and other receivables, including overdue interest, are restructured under the Provisioning Regulation by providing additional credits, if necessary, in order to provide liquidity to the borrower for the purposes of ultimately enabling collection of the receivables in the event that it is arising from temporary liquidity difficulties.

Provisional liquidity problem is considered as manageable cash inflow difficulty arising from the fact that a borrower with credit risk that is able to fulfill its obligations on time and on its terms would have been fundamentally irregular due to fluctuations in sales revenue or operating income due to unforeseen and temporary consequences.

Restructured loans continue to be followed in the same groups they are originally classified. During this period, specific or general provision are made at respective rates for the group to which they are classified.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations (Continued):**

**Additional disclosures about the credit quality of assets (Continued):**

**Breakdown of exposures by geographical areas, industry and maturity**

**Exposures provisioned by major regions and sectors**

<b>Current Period (31.12.2019)</b>	<b>Non-performing loans</b>	<b>Stage 3 Expected Credit Loss</b>
Domestic	123.857	118.280
European Countries	-	-
OECD Countries	-	-
<b>Total</b>	<b>123.857</b>	<b>118.280</b>

<b>Prior Period (31.12.2018)</b>	<b>Non-performing loans</b>	<b>Specific provisions</b>
Domestic	123.142	72.884
European Countries	-	-
OECD Countries	-	-
<b>Total</b>	<b>123.142</b>	<b>72.884</b>

**Exposures provisioned by major regions and sectors**

**(Current Period 31.12.2019)**

	<b>Loans</b>	<b>Non- Performing Loans</b>	<b>Expected Credit Loss Provision</b>	<b>Total</b>
<b>Agriculture</b>	-	<b>8</b>	<b>6</b>	<b>2</b>
Farming and Animal Breeding	-	8	6	2
Forestry	-	-	-	-
Fishery	-	-	-	-
<b>Industry</b>	<b>9.554.669</b>	<b>50.765</b>	<b>127.620</b>	<b>9.477.814</b>
Mining and quarry	-	-	-	-
Manufacturing	1.610.559	34.100	35.070	1.609.589
Electricity, gas and water	7.944.110	16.665	92.550	7.868.225
<b>Construction</b>	<b>19.249</b>	<b>1.892</b>	<b>1.947</b>	<b>19.194</b>
<b>Service</b>	<b>5.298.560</b>	<b>70.086</b>	<b>91.174</b>	<b>5.277.472</b>
Wholesale and retail trade	43.221	-	36	43.185
Hotel and food services	1.212.563	63.396	64.885	1.211.074
Transportation and communication	123.760	77	489	123.348
Financial institutions	3.702.048	-	17.539	3.684.509
Real estate and leasing services	-	-	-	-
Self-employment services	-	-	-	-
Educational services	124.015	-	1.799	122.216
Health and social services	92.953	6.613	6.426	93.140
<b>Other</b>	<b>131.436</b>	<b>1.106</b>	<b>1.528</b>	<b>131.014</b>
<b>Total</b>	<b>15.003.914</b>	<b>123.857</b>	<b>222.275</b>	<b>14.905.496</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on risk management (Continued):****2. Credit risk explanations (Continued):****Maturity analysis for non-performing loans**

<b>Current Period (31.12.2019)</b>	<b>Up to 3 Months</b>	<b>3-12 Months</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>5 Years and above</b>
Corporate and Commercial Loans	7.041	-	1.280	21.694	92.736
Other	-	-	-	-	1.106
<b>Total</b>	<b>7.041</b>	<b>-</b>	<b>1.280</b>	<b>21.694</b>	<b>93.842</b>

<b>Prior Period (31.12.2018)</b>	<b>Up to 3 Months</b>	<b>3-12 Months</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>5 Years and above</b>
Corporate and Commercial Loans	-	-	22.951	3.531	95.491
Other	-	-	-	-	1.169
<b>Total</b>	<b>-</b>	<b>-</b>	<b>22.951</b>	<b>3.531</b>	<b>96.660</b>

**Qualitative disclosure on credit risk mitigation techniques:**

In the calculation of the amounts subject to credit risk, the Bank evaluates the loans in terms of risk weight, taking into consideration the risk classes, grading notes and risk reduction elements within the context of "Communiqué on Credit Risk Mitigation Techniques".

The Bank does not make on-balance sheet and off-balance sheet netting within the scope of credit risk mitigation. Applications related to valuation and management of collateral are carried out in line with the Communiqué on Credit Risk Mitigation Techniques. Main guarantees taken by the Bank in the context of credit risk mitigation techniques are financial guarantees (cash) and guarantees (Turkish Treasury and banks). Monetary guarantees are evaluated with the most recent values as of the reporting date in the credit risk reduction process. In the event that a bank loan customer receives guarantees obtained from other institutions, the credit risk worthiness of the guaranteeing institution in the credit risk reduction process is taken into consideration. Risk-reducing effects of collaterals are taken into account through standard volatility adjustments in the portfolios in which the comprehensive financial guarantee method is used.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations (Continued):**

**Overview of credit risk mitigation techniques:**

	<b>Current Period (31.12.2019)</b>	<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Collateralized amount of exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Collateralized amount of exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>	<b>Collateralized amount of exposures secured by credit derivatives</b>
1	Loans	75.077	14.934.110	100%	-	-	-	-
2	Debt Instruments	-	670.598	100%	-	-	-	-
3	<b>Total</b>	<b>75.077</b>	<b>15.604.708</b>	100%	-	-	-	-
4	Overdue	-	123.857	100%	-	-	-	-

	<b>Prior Period (31.12.2018)</b>	<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Collateralized amount of exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Collateralized amount of exposures secured by financial guarantee</b>	<b>Exposures secured by credit derivatives</b>	<b>Collateralized amount of exposures secured by credit derivatives</b>
1	Loans	50.085	13.591.443	100%	-	-	-	-
2	Debt Instruments	-	210.614	100%	-	-	-	-
3	<b>Total</b>	<b>50.085</b>	<b>13.802.057</b>	100%	-	-	-	-
4	Overdue	-	123.142	100%	-	-	-	-

**Qualitative information on ratings used by the banks while calculating credit risk with standard approach :**

The risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are determined pursuant to the regulations. Any external risk ratings which are determined by any international rating agency are not used.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2 Credit risk explanations (Continued):**

**Standard Approach - Credit risk exposure and credit risk mitigation effects:**

The Bank calculates the credit risk with a standard approach and do not use a rating grade.

<b>Current Period (31.12.2019)</b>	<b>Exposures before CCF and CRM</b>		<b>Exposures post-CCF and CRM</b>		<b>Risk Weighted Amount and Intensity of Risk Weighted Amount</b>		
	<b>Risk Class</b>	<b>On-balance sheet amount</b>	<b>Off-Balance Sheet Amount</b>	<b>On-balance sheet amount</b>	<b>Off- Balance Sheet Amount</b>	<b>RWA</b>	<b>RWA density</b>
Exposures to sovereigns and central banks		1.726.073	-	1.726.073	-	1.246.198	%7,5
Exposures to regional and local governments		-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities		-	-	-	-	-	-
Exposures to multilateral development banks		-	-	-	-	-	-
Exposures to international organizations		-	-	-	-	-	-
Exposures to banks and brokerage houses	6.142.814	9	6.427.140	9	4.994.223	%30,0	
Exposures to corporates	9.137.317	1.941.495	8.967.705	3	8.967.708	%53,9	
Retail exposures	270.489	-	264.068	-	198.051	%1,2	
Exposures secured by residential property	42.074	-	42.074	-	23.213	%0,1	
Exposures secured by commercial property	1.849.676	-	1.741.383	-	870.692	%5,2	
Overdue items	5.579	-	5.579	-	2.790	%0,0	
Exposures in high-risk categories	92.527	19.824	92.527	19.824	168.526	%1,0	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	
Other exposures	162.117	-	162.117	-	158.002	%1,0	
Equity share investments	-	-	-	-	-	-	
<b>Total</b>	<b>19.428.666</b>	<b>1.961.328</b>	<b>19.428.666</b>	<b>19.836</b>	<b>16.629.403</b>	<b>%100,0</b>	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations (Continued):**

**Standard Approach - Credit risk exposure and credit risk mitigation effects (Continued):**

<b>Prior Period (31.12.2018)</b>	<b>Exposures before CCF and CRM</b>		<b>Exposures post-CCF and CRM</b>		<b>Risk Weighted Amount and Intensity of Risk Weighted Amount</b>		
	<b>Risk Class</b>	<b>On-balance sheet amount</b>	<b>Off-Balance Sheet Amount</b>	<b>On-balance sheet amount</b>	<b>On-balance sheet amount</b>	<b>Off- Balance Sheet Amount</b>	<b>On-balance sheet amount</b>
Exposures to sovereigns and central banks		108.155	-	108.155	-	-	-
Exposures to regional and local governments		-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities		-	-	-	-	-	-
Exposures to multilateral development banks		-	-	-	-	-	-
Exposures to international organizations		-	-	-	-	-	-
Exposures to banks and brokerage houses	4.353.003	33	4.659.976	33	4.113.420	%31,3	
Exposures to corporates	7.821.080	1.998.009	7.629.169	13.898	7.643.067	%58,2	
Retail exposures	281.376	11.983	272.682	-	204.512	%1,6	
Exposures secured by residential property	44.067	-	44.067	-	24.165	%0,2	
Exposures secured by commercial property	1.775.234	-	1.668.867	-	834.434	%6,4	
Overdue items	50.259	-	50.258	-	49.216	%0,4	
Exposures in high-risk categories	64.062	29.133	64.062	29.133	142.150	%1,1	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	
Other exposures	118.308	-	118.308	-	118.152	%0,9	
Equity share investments	-	-	-	-	-	-	
<b>Total</b>	<b>14.615.544</b>	<b>2.039.158</b>	<b>14.615.544</b>	<b>43.064</b>	<b>13.129.116</b>	<b>%100,0</b>	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations (Continued):**

**Standard Approach: Exposures by asset classes and risk weights:**

The Bank calculates the credit risk with the standard approach and does not use a rating score.

Current Period (31.12.2019)		0%	10%	20%	50% Secured by property mortgages	75%	100%	150%	200%	Other	Total risk amount (after CCF and CRM)
	Risk Class										
1	Exposures to sovereigns and their central banks	479.875	-	-	-	-	1.246.198	-	-	-	1.726.073
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	1.602.105	302.484	-	4.522.560	-	-	-	6.427.149
7	Exposures to corporates	-	-	-	-	-	8.967.708	-	-	-	8.967.708
8	Retail exposures	-	-	-	-	264.068	-	-	-	-	264.068
9	Exposures secured by residential property	-	-	-	37.722	-	4.352	-	-	-	42.074
10	Exposures secured by commercial property	-	-	-	1.741.383	-	-	-	-	-	1.741.383
11	Past-due items	-	-	-	5.579	-	-	-	-	-	5.579
12	Exposures in high-risk categories	-	-	-	-	-	-	112.351	-	-	112.351
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Other exposures	4.114	-	-	-	-	158.003	-	-	-	162.117
17	Equity share investments	-	-	-	-	-	-	-	-	-	-
18	<b>Total</b>	<b>483.989</b>	-	<b>1.602.105</b>	<b>2.087.168</b>	<b>264.068</b>	<b>14.898.821</b>	<b>112.351</b>	-	-	<b>19.448.502</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**2. Credit risk explanations (Continued):**

**Standard Approach: Exposures by asset classes and risk weights (Continued):**

Prior Period (31.12.2018)												Total risk amount (after CCF and CRM)
	Risk Class	0%	10%	20%	50% Secured by property mortgages	75%	100%	150%	200%	Other		
1	Exposures to sovereigns and their central banks	108.155	-	-	-	-	-	-	-	-	-	108.155
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	300.102	-	111.207	315.043	-	3.933.657	-	-	-	-	4.660.009
7	Exposures to corporates	-	-	-	-	-	7.643.067	-	-	-	-	7.643.067
8	Retail exposures	-	-	-	-	272.682	-	-	-	-	-	272.682
9	Exposures secured by residential property	-	-	-	39.805	-	4.262	-	-	-	-	44.067
10	Exposures secured by commercial property	-	-	-	1.668.867	-	-	-	-	-	-	1.668.867
11	Past-due items	-	-	-	2.085	-	48.173	-	-	-	-	50.258
12	Exposures in high-risk categories	-	-	-	-	-	-	88.478	4.717	-	-	93.195
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Other exposures	155	-	-	-	-	118.153	-	-	-	-	118.308
17	Equity share investments	-	-	-	-	-	-	-	-	-	-	-
18	<b>Total</b>	<b>408.412</b>	-	<b>111.207</b>	<b>2.025.800</b>	<b>272.682</b>	<b>11.747.312</b>	<b>88.478</b>	<b>4.717</b>	-	-	<b>14.658.608</b>

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**3. Explanations on counterparty credit risk:**

**Evaluation of counterparty credit risk according to measurement methods:**

A counterparty credit risk is the risk that a counterparty who is involved in a transaction that is liable to both parties defaults before the final payment in the cash flow of that transaction.

The Bank takes necessary measures to limit counterparty credit risks arising from bilateral transactions, such as off-balance sheet over the counter derivative transactions, by taking into account risk capacities.

Transactions made by the Treasury Department including counter-party risks such as over the counter forward, swaps and options are reported daily to the Senior Management and Risk Monitoring Department. All transactions made by the other party are considered within the limits of the counterparty. Exceeded limits are reported daily to the responsible managers and are recorded with all measures taken to overcome these limitations.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**3. Explanations on counterparty credit risk (Continued):**

**Evaluation of counterparty credit risk according to measurement methods**

Current Period (31.12.2019)		Replacement cost	Potential Credit Risk Amount	EEPE	Alpha used for competing regulatory EAD	EAD Post-CRM	Risk Weighted Amounts
<b>1</b>	Standardized Approach - CCR (for derivatives)	-	-	-	1,4	-	-
<b>2</b>	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
<b>3</b>	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
<b>4</b>	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
<b>5</b>	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	1.844	769
<b>6</b>	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.844</b>	<b>769</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**3. Explanations on counterparty credit risk (Continued):**

**Evaluation of counterparty credit risk according to measurement methods**

<b>Prior Period (31.12.2018)</b>		<b>Replacement cost</b>	<b>Potential Credit Risk Amount</b>	<b>EEPE</b>	<b>Alpha used for competing regulatory EAD</b>	<b>EAD Post-CRM</b>	<b>Risk Weighted Amounts</b>
<b>1</b>	Standardized Approach - CCR (for derivatives)	-	-	-	1,4	-	-
<b>2</b>	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
<b>3</b>	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
<b>4</b>	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
<b>5</b>	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	11.851	2.372
<b>6</b>	<b>Total</b>	-	-	-	-	<b>11.851</b>	<b>2.372</b>

**KKR2: Capital Requirements for CVA:**

The table is not prepared since advanced method is not used in the calculation of CVA.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**3. Explanations on counterparty credit risk (Continued):**

**Standard approach - counterparty credit risk based on risk classes and risk weights:**

Current Period (31.12.2019)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Risk Class									
Exposures to sovereigns and their central banks	1.844	-	-	-	-	-	-	-	1.844
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Overdue items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.844</b>	-	-	-	-	-	-	-	<b>1.844</b>

(\*)Total credit risk: Risk amount related to capital adequacy computation after the counterparty credit risk measurement techniques are applied.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**3. Explanations on counterparty credit risk (Continued):**

**Standard approach - counterparty credit risk based on risk classes and risk weights (Continued):**

Prior Period (31.12.2018)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Risk Class	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	11.851	-	-	-	-	-	-	-	11.851
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Overdue items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11.851</b>	-	-	-	-	-	-	-	<b>11.851</b>

(\*)Total credit risk: Risk amount related to capital adequacy computation after the counterparty credit risk measurement techniques are applied.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on risk management (Continued):****3. Explanations on counterparty credit risk (Continued):****Collaterals for counterparty credit risk:**

A counterparty credit risk is the risk that a counterparty who is involved in a transaction that is liable to both parties defaults before the final payment in the cash flow of that transaction.

The Bank takes necessary measures to limit counterparty credit risks arising from bilateral transactions, such as off-balance sheet derivative transactions, by taking into account risk capacities.

Transactions made by the Treasury Department including counter-party risks such as over the counter forward, swaps and options are reported daily to the Senior Management and Risk Monitoring Department. All transactions made by the counter party are considered within the limits of the counter party. Exceeded limits are reported daily to the responsible managers and are recorded with all measures taken to overcome these limitations.

**Current Period (31.12.2019)**

	Collateral for derivative transactions					Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral Received	Fair value of collateral Given	
	Segregated	Unsegregated	Segregated	Unsegregated			
Cash-domestic currency	-	-	-	-	-	-	
Cash-foreign currency	-	-	-	-	-	-	
Domestic sovereign debts	-	-	-	-	62.904	50.281	
Other sovereign debts	-	-	-	-	-	-	
Government agency debts	-	-	-	-	-	-	
Corporate debts	-	-	-	-	-	-	
Equity securities	-	-	-	-	-	-	
Other collateral	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62.904</b>	<b>50.281</b>	

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on risk management (Continued):****3. Explanations on counterparty credit risk (Continued):****Collaterals for counterparty credit risk (Continued):****Prior Period (31.12.2018)**

	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral Received	Fair value of collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	644.093	865
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>644.093</b>	<b>865</b>

**Credit derivatives**

None.

**Exposures to central counterparties (CCP)**

None.

**Explanations on securitizations**

None.

**4. Explanations on market risk:****Qualitative information to be publicly disclosed on market risk:**

The fluctuations that may occur in the financial market due to the activities of the Bank are exposed to market risk due to the fluctuations in foreign exchange rates.

The Bank calculates and legally reports its market risk by using the standard method within the framework of the provisions of the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" published in the Official Gazette No. 29511 dated 23 October 2015.

In addition to the monthly standardized methodology, the market risk is calculated on a daily basis using the Value At Risk ("VaR") approach. The VaR calculated by using the internal model to predict the potential loss in financial market conditions, the stress tests and scenario analysis results, including the price changes occurring in the crises that occurred in previous years or the probable effects of different interest and exchange rate shocks on existing portfolios are reported to Audit Committee and top management.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on risk management (Continued):****4. Explanations on market risk (Continued):**

In accordance with the "Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process" published on the Official Gazette dated 11 July 2014 and numbered 29057, the limits of these risks are determined by taking into account the main risks borne by the Bank and such risk limits are determined within the framework of changing market conditions and Bank strategies "Risk Appetite Structure, Risk Limits and Implementation Principles" which are frequently revised and approved by the Board of Directors.

The reports prepared within the framework of compliance with the risk limits are regularly presented to the Board of Directors, the Audit Committee and senior management.

**Market risk amounts based on standard approach:**

		<b>Current Period 31.12.2019</b>	<b>Prior Period 31.12.2018</b>
	<b>RAT</b>	<b>RAT</b>	
	<b>Direct (cash) Products</b>		
1	Interest rate risk (general and specific)	-	22.825
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	20.063	13.200
4	Commodity risk	-	-
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
<b>9</b>	<b>Total</b>	<b>20.063</b>	<b>36.025</b>

**5. Link between the financial statements and risk amounts:****Explanations on differences between the amounts prepared as per TAS and the risk amounts:**

"Credit Risks" are calculated over the securities classified as "Financial assets at fair value through profit or loss" and " Financial assets measured at fair value through other comprehensive income ".

Repurchase and reverse repo transactions of the Bank are subject to "Counterparty Credit Risks" and the Capital Obligation against Counterparty Credit Risk is calculated and reported under the "Credit Risk". In addition, "Market Risk " is calculated over the securities used in the "Reverse Repo" transactions.

The amount included in the "Off-balance sheet amounts" line of the B2 table is reported as "Subject to Credit risk" by multiplying with "Credit Conversion Rates".

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**5. Linkages between the financial statements and risk amounts (Continued):**

**Differences and matching between accounting consolidation and legal consolidation:**

<b>Current Period (31.12.2019)</b>	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	
<b>Assets</b>							
Cash and Balances with the Central Bank	595	-	595	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	90.216	-	90.216	-	-	-	-
Banks	2,343,082	-	2,343,082	-	-	-	-
Interbank money market	127,505	-	66,486	61,019	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	688,636	-	688,636	-	-	-	-
Loans	15,009,493	-	15,009,493	-	-	-	-
Factoring receivables	-	-	-	-	-	-	-
Financial Assets Measured at Amortised Cost	1,066,213	-	1,066,213	-	-	-	-
Investments in associates	15,960	-	15,960	-	-	-	-
Lease receivables	70	-	70	-	-	-	-
Tangible assets (net)	94,797	-	94,797	-	-	-	-
Intangible assets (net)	2,085	-	-	-	-	-	2,085
Investment properties (net)	850	-	850	-	-	-	-
Tax asset	-	-	-	-	-	-	-
Other assets	50,423	-	50,423	-	-	-	-
<b>Total Assets</b>	<b>19,489,925</b>	-	<b>19,426,821</b>	<b>61,019</b>	-	-	<b>2,085</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**5. Linkages between the financial statements and risk amounts (Continued):**

**Differences between accounting consolidation and legal consolidation (Continued):**

<b>Current Period (31.12.2019)</b>	Carrying values in financial statements prepared as per TAS	Carrying values financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS			
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk
<b>Liabilities</b>						
Deposit	-	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-	-
Borrowing funding loans	15.363.879	-	-	-	-	-
Money markets balances	50.364	-	-	50.364	-	-
Issued securities	-	-	-	-	-	-
Funds	18.155	-	-	-	-	-
Miscellaneous Payables	53.773	-	-	-	-	-
Other external funding's payable	31.978	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Debts from leasing transactions	15.207	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	26.569	-	-	-	-	-
Tax liability	57.525	-	-	-	-	-
Liabilities for assets held for sale and discontinued operations	-	-	-	-	-	-
Subordinated debts	1.402.055	-	-	-	-	-
Shareholders' equity	2.356.413	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>19.375.918</b>	-	-	<b>50.364</b>	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**5. Linkages between the financial statements and risk amounts (Continued):**

**Differences between accounting consolidation and legal consolidation (Continued):**

<b>Prior Period (31.12.2018)</b>	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	
<b>Assets</b>							
Cash and Balances with the Central Bank	1.430	-	1.430	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	270	-	270	-	-	-	-
Banks	419.529	-	419.529	-	-	-	-
Interbank money market	1.206.351	-	307.550	898.801			
Financial assets available-for-sale (net)	218.651	-	8.037	-	-	210.614	-
Loans	13.641.508	-	13.641.508	-	-	-	-
Factoring receivables	-	-	-	-	-	-	-
Investments held to maturity (net)	49.416	-	49.416	-	-	-	-
Investments in associates	72.954	-	72.954	-	-	-	-
Lease receivables	20	-	20	-	-	-	-
Tangible assets (net)	61.106	-	61.106	-	-	-	-
Intangible assets (net)	1.706	-	-	-	-	-	1.706
Investment properties (net)	894	-	894	-	-	-	-
Tax asset	1.744	-	-	-	-	-	1.744
Other assets	39.231	-	39.231	-	-	-	-
<b>Total Assets</b>	<b>15.714.810</b>	-	<b>14.601.945</b>	<b>898.801</b>	-	<b>210.614</b>	<b>3.450</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**5. Linkages between the financial statements and risk amounts (Continued):**

**Differences between accounting consolidation and legal consolidation (Continued):**

<b>Prior Period (31.12.2018)</b>	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Liabilities</b>							
Deposit	-	-	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-	-	-
Borrowing funding loans	13.570.125	-	-	-	-	-	-
Money markets balances	862	-	-	862	-	-	-
Issued securities	-	-	-	-	-	-	-
Funds	17.890	-	-	-	-	-	-
Miscellaneous Payables	33.940	-	-	-	-	-	-
Other external funding's payable	35.750	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-	-
Provisions	267.648	-	-	-	-	-	-
Tax liability	35.038	-	-	-	-	-	-
Liabilities for assets held for sale and discontinued operations							
Subordinated debts	336.270	-	-	-	-	-	-
Shareholders' equity	1.417.287	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>15.714.810</b>	-	-	<b>862</b>	-	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**5. Linkages between the financial statements and risk amounts (Continued):**

**Main sources of differences between the risk amounts and carrying values in financial statements prepared as per TAS:**

	<b>Current Period (31.12.2019)</b>	Total	Subject to credit risk	Securitization positions	Subject to counterparty risk	Subject to market risk
1	Carrying values of assets in accordance with TAS within legal consolidation	19.489.926	19.426.822	-	61.019	-
2	Carrying values of liabilities in accordance with TAS within legal consolidation	19.375.917	-	-	50.364	-
3	Total net amount under legal consolidation	114.009	19.426.822	-	10.655	-
4	Off-balance sheet items	1.961.329	19.836	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from netting of differences (outside line 2)	-	-	-	-	-
7	Differences arising from consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the BRSA	-	-	-	-	-
	<b>Risk balances</b>	<b>21.451.254</b>	<b>19.446.658</b>	-	<b>111.383</b>	-

	<b>Prior Period (31.12.2018)</b>	Total	Subject to credit risk	Securitization positions	Subject to counterparty risk	Subject to market risk
1	Carrying values of assets in accordance with TAS within legal consolidation	15.714.810	14.601.945	-	898.800	210.614
2	Carrying values of liabilities in accordance with TAS within legal consolidation	15.714.810	-	-	863	-
3	Total net amount under legal consolidation	-	14.601.945	-	897.937	210.614
4	Off-balance sheet items	2.039.158	43.064	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from netting of differences (outside line 2)	-	-	-	-	-
7	Differences arising from consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the BRSA	-	-	-	-	-
	<b>Risk balances</b>	<b>17.753.968</b>	<b>14.645.009</b>	-	<b>899.663</b>	<b>210.614</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on risk management (Continued):****6. Explanations on operational risk:**

Operational risk amount is calculated by using the basic indicator approach within the scope of 14th article of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The value is, 15% of the Banks' gross income for the last three years multiplied with 12,5.

The annual gross income, as presented in the statement of income, is composed of net interest income by adding net fees and commissions income, dividend income from shares except for the subsidiaries and associates, net trading income/(expenses) and other operating income and after deducting realized gains/losses from the sale of securities held-to-maturity, extraordinary income, operating expenses due to support services and income derived from insurance claims at year-end.

<b>Current Period (31.12.2019)</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	Total / Positive BG year amount	Ratio (%)	Total
Gross Income	187.223	289.290	479.661	318.725	15	47.830
Value at operational risk (Total * 12,5)						<b>597.609</b>

<b>Prior Period (31.12.2018)</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	Total / Positive BG year amount	Ratio (%)	Total
Gross Income	162.086	187.223	289.290	212.866	15	31.930
Value at operational risk (Total * 12,5)						<b>399.124</b>

**7. Interest rate risk on banking accounts:**

Bank calculates the interest rate risk on banking book according to "Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method" and reports to the BRSA monthly.

Interest Rate Risk on Banking Book report includes Receivables from Central Bank, Money Market Placements, Receivables from Banks, Available for Sale Financial Assets (excluding government bonds), Receivables from Reverse-repo, Loans and Receivables, Investments Held to Maturity and Other Receivables in the asset side, and Payables to Central Bank, Money Market Borrowings, Payables to Banks, Funds Obtained from Repo Transactions, Issued Bonds; Borrowings, Subordinated Debt and Other Payables on the liabilities side.

Economic value differences due to the interest rate instabilities calculated according to "Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method" are presented below for each currency.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations on risk management (Continued):**

**7. Interest rate risk on banking accounts (Continued):**

	<b>Current Period (31.12.2019)</b>	Applied Shock (+/- x base points)	Gains / Losses	Gains / Equity – Losses / Equity
	<b>Currency</b>			
1	TL	(+) 500 base points	(26.626)	% (0,69)
2	TL	(-) 400 base points	25.636	% 0,67
3	EURO	(+) 200 base points	45.785	% 1,19
4	EURO	(-) 200 base points	(53.575)	% (1,39)
5	USD	(+) 200 base points	21.685	% 0,56
6	USD	(-) 200 base points	(30.449)	% (0,79)
	<b>Total (Of Negative Shocks)</b>		<b>40.844</b>	% 1,06
	<b>Total (Of Positive Shocks)</b>		<b>(58.389)</b>	% (1,52)

	<b>Prior Period (31.12.2018)</b>	Applied Shock (+/- x base points)	Gains / Losses	Gains / Equity – Losses / Equity
	<b>Currency</b>			
1	TL	(+) 500 baz puan	(26.467)	% (1,38)
2	TL	(-) 400 base points	24.230	% 1,26
3	EURO	(+) 200 base points	30.011	% 1,56
4	EURO	(-) 200 base points	(36.494)	% (1,90)
5	USD	(+) 200 base points	(9.115)	% (0,47)
6	USD	(-) 200 base points	10.319	% 0,54
	<b>Total (Of Negative Shocks)</b>		<b>(5.570)</b>	<b>%(0,29)</b>
	<b>Total (Of Positive Shocks)</b>		<b>(1.944)</b>	<b>% (0,10)</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and notes related to assets:**

**1. Information on financial assets:**

**1.1. Information on cash and balances with the Central Bank of the Republic of Turkey:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Cash and foreign currency	17	-	73	-
Central Bank of the Republic of Turkey	578	-	1.357	-
Other	-	-	-	-
<b>Total</b>	<b>595</b>	-	<b>1.430</b>	-

**1.1.1. Information on required reserve deposits:**

Since the Bank does not accept deposits, it is not subject to Central Bank of the Republic of Turkey's Communiqué No: 2005/1 "Reserve Requirements".

**1.1.2. Information on the account of Central Bank of the Republic of Turkey:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Unrestricted Demand Deposit	578	-	1.357	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
<b>Total</b>	<b>578</b>	-	<b>1.357</b>	-

**1.1.3.a. Information on banks:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Banks				
Domestic	1.602.105	733.308	100.819	272.729
Foreign	-	7.669	-	45.981
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.602.105</b>	<b>740.977</b>	<b>100.819</b>	<b>318.710</b>

**1.1.3.b. Information on foreign bank accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2019)	Prior Period (31.12.2018)	Current Period (31.12.2019)	Prior Period (31.12.2018)
EU Countries	3.860	45.334	-	-
USA and Canada	3.809	647	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>7.669</b>	<b>45.981</b>	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued)**

**1.1.4. Information on Money market placements:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Money Market Placements	-	66.486	55.916	251.635
Reviewables from Reverse Repo Transactions	61.019	-	898.800	-
<b>Total</b>	<b>61.019</b>	<b>66.486</b>	<b>954.716</b>	<b>251.635</b>

**1.1.5. Information on expected credit loss provisions for financial assets:**

	Current Period (31.12.2019)	
	TL	FC
Cash and Balances with Central Bank	1	-
Banks and Money Markets	7.286	-
<b>Total</b>	<b>7.287</b>	<b>-</b>

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

None.

**1.2.a) Financial assets at fair value through profit and loss given as collateral or blocked:**

None.

**1.3. Information on financial assets measured at fair value through other comprehensive income:**

**1.3.a-1) Financial assets measured at fair value through other comprehensive income subject to repurchase agreements:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	50.283	-	865	-
Other	-	-	-	-
<b>Total</b>	<b>50.283</b>	<b>-</b>	<b>865</b>	<b>-</b>

**1.3.a-2) Information on financial assets measured at fair value through other comprehensive income given as collateral or blocked:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	166.896	-	8.938	-
Other	-	-	-	-
<b>Total</b>	<b>166.896</b>	<b>-</b>	<b>8.938</b>	<b>-</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and notes related to assets (Continued)****1.3. Information on financial assets measured at fair value through other comprehensive income (Continued):****1.3.a-3) Information on financial assets measured at fair value through other comprehensive income:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Debt Securities	680.651	213.151
Quoted on a stock exchange	680.651	213.151
Unquoted	-	-
Share Certificates	10.847	10.847
Quoted on a stock Exchange	-	-
Unquoted	10.847	10.847
Provision for impairment (-)	(2.862)	(5.347)
<b>Total</b>	<b>688.636</b>	<b>218.651</b>

**1.4. Information on derivative financial assets:**

None.

**2. Explanations on loans (Net):****2.1. Information on loans:****2.1.a) Information on all types of loans and advances given to shareholders and employees of the Bank:**

	<b>Current Period (31.12.2019)</b>		<b>Prior Period (31.12.2018)</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	2.311	-	6.078	-
<b>Total</b>	<b>2.311</b>	<b>-</b>	<b>6.078</b>	<b>-</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued)**

**2. Explanations on loans (Net) (Continued):**

**2.1. Information on loans (Continued):**

**2.1.b) Information on standard loans and loans under follow up (first and second group loans) including restructured loans under follow up:**

Cash Loans Current Period (31.12.2019)	Standart Loans	Loans Under Follow Up		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Non-specialized loans	12.195.998	1.072.395	359.255	-
Discount notes	285.931	448	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	1.285.710	-	-	-
Consumer loans	2.311	-	-	-
Credit cards	-	-	-	-
Other	10.622.046	1.071.947	359.255	-
Special loans	1.308.965	52.394	14.907	-
Other receivables	-	-	-	-
<b>Total</b>	<b>13.504.963</b>	<b>1.124.789</b>	<b>374.162</b>	<b>-</b>

Current Period (31.12.2019)	Standart Loans	Loans Under Follow Up	
		12 Months Expected Credit Losses	Significant Increase in Credit Risk
12 Months Expected Credit Losses	60.477	-	43.519

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued)**

**2. Explanations on loans (Net) (Continued):**

**2.1. Information on loans (Continued):**

**2.1.b) Information on standard loans and loans under follow up (first and second group loans) including restructured loans under follow up (Continued):**

Cash Loans Prior Period (31.12.2018)	Standart Loans	Loans Under Follow Up		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Loans with revised contract terms
Non-specialized loans	11.115.906	765.468	279.559	-
Discount notes	192.953	1.856	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	1.181.232	-	-	-
Consumer loans	6.078	-	-	-
Credit cards	-	-	-	-
Other	9.735.643	763.612	279.559	-
Special loans	1.363.184	61.556	5.577	-
Other receivables	-	-	-	-
<b>Total</b>	<b>12.479.090</b>	<b>827.024</b>	<b>285.136</b>	<b>-</b>

**2.1.c) Loans according to their maturity structure:**

Cash Loans Current Period (31.12.2019)	Standart Loans	Loans Under Follow Up		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Short term loans	251.964	2.971	25.916	-
Medium and long term loans	13.252.999	1.121.818	348.246	-

Cash Loans Prior Period (31.12.2018)	Standart Loans	Loans Under Follow Up		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Short term loans	196.986	9	5.316	-
Medium and long term loans	12.282.104	827.015	279.820	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued)**

**2. Explanations on loans (Net) (Continued):**

**2.1. Information on loans (Continued):**

**2.1.d) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards:**

<b>Current Period (31.12.2019)</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
Consumer Loans- TL	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans - TL	-	<b>2.311</b>	<b>2.311</b>
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	2.311	2.311
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>-</b>	<b>2.311</b>	<b>2.311</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued):**

**2. Explanations on loans (Net) (Continued):**

**2.1. Information on loans (Continued):**

**2.1.d) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards:**

<b>Prior Period (31.12.2018)</b>	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
Consumer Loans- TL	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans - TL	-	6.078	6.078
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	6.078	6.078
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>-</b>	<b>6.078</b>	<b>6.078</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and notes related to assets (continued):****2. Explanations on loans (Net) (Continued):****2. 1. Informations on loans (Continued):****2.1.d) Information on commercial loans with installments and corporate credit cards:**

The Bank has not granted any commercial loans with installments and corporate credit cards as of balance sheet date.

**2.1.e) Loans according to type of borrowers:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Public	-	-
Private	15.003.914	13.591.250
<b>Total</b>	<b>15.003.914</b>	<b>13.591.250</b>

**2.1.f) Breakdown of domestic and international loans:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Domestic loans	15.003.914	13.591.250
International loans	-	-
<b>Total</b>	<b>15.003.914</b>	<b>13.591.250</b>

**2.1.g) Loans granted to subsidiaries and associates:**

TL 1.785 of loan disbursed to Arıcak A.Ş., a subsidiary of the Bank, has been followed at Group V.

TL 1.785 default (stage III) provision has been provided for this loan.

**2.1.h) Temerrüt (üçüncü aşama) karşılıkları :**

	<b>Current Period (31.12.2019)</b>
Loans and other receivables with limited collectability	7.041
Loans and other receivables with doubtful collectability	-
Uncollectible loans and receivables	111.237
<b>Total</b>	<b>118.278</b>

**2.1.h) Specific provisions provided against loans:**

	<b>Prior Period (31.12.2018)</b>
Loans and other receivables with limited collectability	-
Loans and other receivables with doubtful collectability	-
Uncollectible loans and receivables	72.884
<b>Total</b>	<b>72.884</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (continued):**

**2. Explanations on loans (Net) (Continued):**

**2. 1. Informations on loans (Continued):**

**2.1.i) Information on non-performing loans (Net):**

**2.1.i.1) Information on loans and other receivables restructured or rescheduled from non-performing loans:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
<b>Current Period (31.12.2019)</b>			
Gross amounts before specific provisions	7.041	-	116.816
Restructured loans	-	-	-
<b>Prior Period (31.12.2018)</b>			
Gross amounts before specific provisions	-	-	123.142
Restructured loans	-	-	-

**2.1.i.2) Information on the movement of non-performing receivables:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Prior period end balance (31.12.2018)</b>	-	-	123.142
Additions (+)	7.087	-	1.475
Transfer from other categories of non-performing loans (+)	-	-	-
Transfer to other categories of non-performing loans (-)	-	-	-
Collections (-)	(46)	-	(7.801)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>7.041</b>	<b>-</b>	<b>116.816</b>
Specific provisions (-)	(7.041)	-	(111.237)
<b>Net balance on balance sheet</b>	<b>-</b>	<b>-</b>	<b>5.579</b>

**2.1.i.3) Information on Accruals of Interest, Rediscount and Valuation Effect and Their Provisions Calculated for Under Follow-up Loans Banks which Provide Expected Credit Loss According to TFRS 9**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period (31.12.2019)</b>			
Interest Accruals and Valuation Differences	106		2.029
Provisions (-)	(7.041)		(111.237)
<b>Net Balance</b>	<b>(6.935)</b>		<b>(109.208)</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (continued):**

**2. 1. Informations on loans (Continued):**

**2.1.i) Information on non-performing loans (Net) (Continued):**

**2.1.i.4) Information on foreign currency non-performing loans:**

As set out in the third part of the Communiqué on the Bank's Uniform Chart of Accounts and Prospectus, the context of definitions of Doubtful Receivables, Uncollectible Fees, Commissions and Other Receivables and Non-Performing Loans and Other Receivables, foreign currency loans which become non-performing loans are transferred to and monitored in terms of Turkish Lira.

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period (Net) (31.12.2019)</b>	-	-	<b>5.579</b>
Loans to Real Persons and Legal Entities (Gross)	7.041	-	116.816
Specific provisions (-)	(7.041)	-	(111.237)
Loans to Real Persons and Legal Entities (Net)	-	-	<b>5.579</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net) (31.12.2018)</b>	-	-	<b>50.258</b>
Loans to Real Persons and Legal Entities (Gross)	-	-	123.142
Specific provisions (-)	-	-	(72.884)
Loans to Real Persons and Legal Entities (Net)	-	-	<b>50.258</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

**2.1.i.6) Maturity analysis of post due but not impaired loans per classes of financial statements:**

<b>Current Period (31.12.2019)</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Total</b>
<b>Loans</b>				
Corporate Loans	12.344	5.251	1.065	<b>18.660</b>
Consumer Loans	-	-	-	-
Specialized Loans	7.354	-	-	<b>7.354</b>
<b>Total</b>	<b>19.698</b>	<b>5.251</b>	<b>1.065</b>	<b>26.014</b>

<b>Prior Period (31.12.2018)</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Total</b>
<b>Loans</b>				
Corporate Loans	5.172	4.720	947	10.839
Consumer Loans	-	-	-	-
Specialized Loans	476	-	-	476
<b>Total</b>	<b>5.648</b>	<b>4.720</b>	<b>947</b>	<b>11.315</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (continued):**

**2. 1. Informations on loans (Continued):**

**2.1.i) Information on non-performing loans (Net) (Continued):**

**2.1.i.7) Information regarding gross and net amounts of non-performing loans with respect to user groups:**

**Net Value of Collaterals of Loans Under Follow Up, Collateral Type and Risk Mapping:**

<b>Type of collateral</b>	<b>Current Period (31.12.2019)</b>		<b>Prior Period (31.12.2018)</b>	
	<b>Net Value of Collateral</b>	<b>Loan Balance</b>	<b>Net Value of Collateral</b>	<b>Loan Balance</b>
Real Estate Mortgages (*)	602.319	602.319	518.951	518.951
Vehicle Pledges	-	-	-	-
Cash Collateral (Cash, Marketable Securities, etc.)	877.503	877.503	593.209	593.209
Pledge on wages	-	-	-	-
Cheque/Notes	-	-	-	-
Other (suretyship, commercial enterprise pledge, export documents etc.)	-	-	-	-
Non-collateralized	-	-	-	-
<b>Total</b>	<b>1.479.822</b>	<b>1.479.822</b>	<b>1.112.160</b>	<b>1.112.160</b>

(\*) (\*) Net values of collaterals are stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk loan balance, credit risk loan balance is presented.

**Net Value of Collaterals of Non-performing Loans, Collateral Types and Risk Mapping:**

<b>Type of collateral</b>	<b>Current Period (31.12.2019)</b>		<b>Prior Period (31.12.2018)</b>	
	<b>Net Value of Collateral</b>	<b>Loan Balance</b>	<b>Net Value of Collateral</b>	<b>Loan Balance</b>
Real Estate Mortgages (*)	94.538	94.538	99.185	99.185
Cash collateral	-	-	-	-
Vehicle Pledges	-	-	-	-
Other (suretyship, commercial enterprise pledge, commercial valuable papers etc.)	7.332	7.332	16.942	16.942
Non-collateralized	-	21.987	-	7.015
<b>Total</b>	<b>101.870</b>	<b>123.857</b>	<b>116.127</b>	<b>123.142</b>

(\*) Net values of collaterals are stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk of loan balance, loan balance is presented.

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued):**

**2. 1. Information on loans (continued):**

**2.1.j) Main principles of liquidating non-performing loans and other receivables:**

If there are collateral elements in the fourth section of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Reserved for them, these elements are converted into money as soon as possible as a result of both administrative and legal initiatives and the liquidation of the receivable is provided.

In the case collaterals are not present; the Bank is engaged in substantive intelligence in various periods to determine whether any property holdings are subsequently acquired in order to apply for legal procedures, even if there is evidence of insolvency for the debtor.

Before and after liquidation process; the Bank reviews financial information of the debtor companies. Then, in the case it is agreed that the companies show indications of operating on an ongoing basis and probably are going to have contributions to the economy; the Bank tries to make collections through rescheduling the payment terms.

**2.1.j) Explanations on write-off policy:**

Uncollectible loans or receivables are written-off with the decision of the Board of Directors, after the date 100% provision is set considering the collaterals using the rates determined in the related communiqué, when they are deemed impossible to collect in accordance with a convincing document or a court order.

**2.2. Information on finance lease receivables (Net):**

The Bank's receivables from leasing are TL 70 (31 December 2018 : TL 20).

**2.3. Information on factoring receivables:**

None.

**2.4. Information on financial assets measured at amortised cost government securities:**

**2.4.a) Information on government securities financial assets measured at amortised cost subject to repurchase agreements:**

None.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued):**

**2.4.b) Information on given as collateral or blocked financial assets measured at amortised cost subject to repurchase agreements:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Government Bonds	12.539	-
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>12.539</b>	<b>-</b>

**2.4.c) Information on government securities financial assets measured at amortised cost:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Government Bonds	1.066.213	49.416
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>1.066.213</b>	<b>49.416</b>

**2.4.d) Information on financial assets measured at amortised cost:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Debt Securities	1.066.213	49.416
Quoted on a stock exchange	1.066.213	49.416
Unquoted	-	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>1.066.213</b>	<b>49.416</b>

**2.4.e) Movement of financial assets measured at amortised cost:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Balance at the beginning of the period	49.416	-
Foreign currency differences on monetary assets	(120.831)	-
Purchases during the year	1.168.560	51.324
Disposals through sales and redemptions (*)	(30.932)	(1.908)
Provision for impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>1.066.213</b>	<b>49.416</b>

(\*) Disposals through sales and redemptions 25.443 redemptions, 5.489 after coupon redemption rediscount and accrued interest reduction amounts.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued):**

**3. Assets held for sale and discontinued operations (Net):**

None.

**4. Information on Investments in associates:**

**4.1. Information on associates:**

**4.1.a. General information on associates:**

	Description	Address (City/Country)	The Bank's share percentage-if different voting percentage (%)	The Bank's risk group share percentage (%)
1	Maksan A.Ş.	Malatya	20	31,14
2	Türk Suudi Holding A.Ş. (*)	İstanbul	10	24,69

(\*) Türk Suudi Holding A.Ş is the process of liquidation.

**4.1.b. Financial statement information of associates order above:**

(*)	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	34.670	23.718	4.387	-	-	3.958	4.463	-
2	37.614	36.771	-	-	-	2.988	8.120	-

(\*) The information of Maksan A.Ş. and Türk Suudi Holding A.Ş. are provided from the unaudited financial statements as of 30 September 2019. Prior period information of Maksan A.Ş. and Türk Suudi Holding A.Ş. are provided from the unaudited financial statements as of 30 September 2018.

**4.1.c. Movement of associates:**

	Current Period (31.12.2019)	Prior Period (31.12.2018)
<b>Balance at the beginning of the period</b>	<b>72.954</b>	<b>46.804</b>
<b>Movements during the period</b>	<b>(56.994)</b>	<b>26.150</b>
Additions	-	3.338
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	(9)
TFRS 9 Classification Change	(57.713)	-
Revaluation increase	-	27.260
Provision for impairment (-) / Cancellation of provision	719	(4.439)
<b>Balance at the end of the period</b>	<b>15.960</b>	<b>72.954</b>
Capital commitments	-	11.428
Share percentage at the end of the period (%)	-	-

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and notes related to assets (Continued):****4.1. Information on associates (net) (continued):****4.1.d. Sectoral information about associates and their carrying amounts:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	57.713

**4.1.e. Associates quoted in the stock exchange:**

None.

**4.2. Information on investments in subsidiaries (Net):****4.2.a. Information on subsidiaries:**

By the application of the company's Board of Directors and approval the Capital Markets Board (CMB), the company's activities has been temporarily suspended beginning from 31 December 2009. In 2011, the licenses of the company have been canceled. In the General Assembly held on 20 March 2012, it was resolved to liquidate the company. Since the company is in liquidation process, the Bank has lost control over its subsidiary and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been classified as financial assets measured at fair value through other comprehensive income in the accompanying financial statements.

**4.2.b. Movement of subsidiaries:**

None.

**4.2.c. Sectoral information about subsidiaries and their carrying amounts:**

None.

**4.2.d. Subsidiaries quoted on the stock exchange:**

None.

**4.3. Information on jointly controlled entities (joint ventures):**

None.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued):**

**5. Information on tangible fixed assets:**

<b>Current Period (31.12.2019)</b>	<b>Real-Estates</b>	<b>Non-Current Assets to be Disposed</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>					
Balance at the beginning of the period	121.547	26.848	739	12.212	<b>161.346</b>
Provision for impairment	-	(1.339)	-	-	<b>(1.339)</b>
Movements during the period					
-Additions	13.960	14.883	-	11.825	<b>40.668</b>
-Disposals (-)	-	(149)	-	(211)	<b>(360)</b>
-Transfer from investment properties	-	-	-	-	-
-Provision for impairment (-)	-	-	-	-	-
-Reversal from provision for impairment (-)	-	-	-	-	-
<b>Balance at the end of the period</b>	<b>135.507</b>	<b>40.243</b>	<b>739</b>	<b>23.826</b>	<b>200.315</b>
<b>Accumulated Depreciation</b>					
Balance at the beginning of the period	86.855	1.868	140	10.038	<b>98.901</b>
Movements during the period					
-Depreciation charge	4.435	-	122	2.314	<b>6.871</b>
-Transfer from investment properties	-	-	-	-	<b>0</b>
-Disposals (-)	-	(54)	-	(200)	<b>(254)</b>
-Provision for impairment (-)	-	-	-	-	-
<b>Balance at the end of the period</b>	<b>91.290</b>	<b>1.814</b>	<b>262</b>	<b>12.152</b>	<b>105.518</b>
<b>Net book value at the end of the period</b>	<b>44.217</b>	<b>38.429</b>	<b>477</b>	<b>11.674</b>	<b>94.797</b>

<b>Prior Period (31.12.2018)</b>	<b>Real-Estates</b>	<b>Non-Current Assets to be Disposed</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>					
Balance at the beginning of the period	121.547	29.252	130	10.872	161.801
Provision for impairment	(1.797)	(1.524)	-	-	(3.173)
Movements during the period					
-Additions	-	1.042	609	1.354	3.005
-Disposals (-)	-	(3.446)	-	(14)	(3.460)
-Transfer from investment properties	-	185	-	-	37
-Provision for impairment (-)	-	-	-	-	-
-Reversal from provision for impairment (-) (*)	1.797	-	-	-	1.797
<b>Balance at the end of the period</b>	<b>121.547</b>	<b>25.509</b>	<b>739</b>	<b>12.212</b>	<b>160.007</b>
<b>Accumulated Depreciation</b>					
Balance at the beginning of the period	84.413	2.310	124	8.181	95.028
Movements during the period					
-Depreciation charge	2.442	-	16	1.868	4.326
-Transfer from investment properties	-	-	-	-	-
-Disposals (-)	-	(442)	-	(11)	(453)
-Provision for impairment (-)	-	-	-	-	-
<b>Balance at the end of the period</b>	<b>86.855</b>	<b>1.868</b>	<b>140</b>	<b>10.038</b>	<b>98.901</b>
<b>Net book value at the end of the period</b>	<b>34.692</b>	<b>23.641</b>	<b>599</b>	<b>2.174</b>	<b>61.106</b>

(\*)The amount that has been deleted from the provision due to the real estate appraisal of the year 2017.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and notes related to assets (Continued):**

**6. Information on intangible assets:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
<b>Cost</b>		
Balance at the beginning of the period	7.442	5.555
Movements during the period	-	-
-Additions	1.503	1.887
- Disposals	-	-
<b>Balance at the end of the period</b>	<b>8.945</b>	<b>7.442</b>
<b>Accumulated Amortisation</b>		
Balance at the beginning of the period	5.736	4.507
Movements during the period	-	-
-Amortization charge	1.124	1.229
-Disposals	-	-
<b>Balance at the end of the period</b>	<b>6.860</b>	<b>5.736</b>
<b>Net book value at the end of the period</b>	<b>2.085</b>	<b>1.706</b>

**7. Information on investment properties:**

As of 31 December 2019, the Bank has investment properties held for rent whose net book value is TL 850 (31 December 2018: TL 894). According to the valuation study carried out by the independent expertise company with CMB licenses in December 2017, the fair value of these real estates is TL 23.036. According to appraisal report prepared by an independent and the CMB registered real-estate appraiser company and issued in December 2017 fair value of the investment properties is determined as TL 23.036. As of 31 December 2019, the Bank has rental income amounting to TL 578. (31 December 2018: TL 587).

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
<b>Cost</b>		
Balance at the beginning of the period	2.149	2.149
Provision for impairment	-	-
Movements during the period		
-Additions	-	-
-Disposals(-)	-	-
-Classified as tangible fixed assets (-)	-	-
-Provision for impairment(-)	-	-
-Reversal from provision for impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>2.149</b>	<b>2.149</b>
<b>Accumulated Depreciation</b>		
Balance at the beginning of the period	1.255	1.212
Movements during the period		
- Accumulated depreciation classified as investment property (-)	-	-
- Depreciation charge	44	43
- Accumulated depreciation classified as tangible fixed asset (-)	-	-
- Disposals	-	-
-Provision for impairment(-)	-	-
<b>Balance at the end of the period</b>	<b>1.299</b>	<b>1.255</b>
<b>Net book value at the end of the period</b>	<b>850</b>	<b>894</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and notes related to assets (Continued):****8. Information on tax assets:**

None.

**9. Information on deferred tax assets:**

None. (31 December 2018: TL 1.744).

**10. Information on other assets:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Inventory	4	82
Prepaid expenses	36.255	36.266
Temporary account debtor	13.850	2.089
Sundry receivables	314	794
<b>Total</b>	<b>50.423</b>	<b>39.231</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and notes related to liabilities:****1. Information on maturity structure of deposits:**

The Bank is not accepting deposits and funds.

**2. Information on funds borrowed:****2.a) Information on banks and other financial institutions:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and institutions	113	1.482.398	-	1.702.215
From foreign banks, institutions and funds	-	13.881.368	-	11.867.910
<b>Total</b>	<b>113</b>	<b>15.363.766</b>	<b>-</b>	<b>13.570.125</b>

**2.b) Maturity structure of funds borrowed:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Short-term	113	-	-	-
Medium and long-term	-	15.363.766	-	13.570.125
<b>Total</b>	<b>113</b>	<b>15.363.766</b>	<b>-</b>	<b>13.570.125</b>

**2.c) Additional information for the areas of liability concentrations:**

As the Bank is not authorized to accept deposits, liabilities are composed of funds obtained from domestic and international financial institutions, medium and long term loans and subordinated debt instruments.

Most of the loans from international finance institutions are from World Bank, European Investment Bank, European Commission Development Bank, Islamic Development Bank, The Black Sea Trade and Development Bank and Japan International Corporation Bank. Domestic loans are from Eximbank, Arab Turkish Bank and Republic of Turkey Ministry of Treasury and Finance.

**3. Information on funds provided under repurchase agreements:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Funds Provided under Repurchase Agreements	50.364	-	862	-
<b>Total</b>	<b>50.364</b>	<b>-</b>	<b>862</b>	<b>-</b>

**4. Information on issued securities (Net):**

None.

**5. Explanations on funds:**

Material part of the domestic funds amounting to TL 18.155 (31 December 2018: TL 17.890 ) is obtained from World Bank amounting to TL 43 and Republic of Turkey Ministry of Treasury and Finance amounting to TL 18.112.

**6. Explanations on financial liabilities at fair value through profit and loss:**

None.

**7. Information on derivative financial liabilities:**

None.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and notes related to liabilities (Continued):****8. Information on factoring liabilities:**

None.

**9. Explanations on financial lease payables (Net):**

The total leasing obligations amounted to TL 15,207.

**10. Explanations on Provisions:****10.a) Information on General Provisions:**

	<b>Prior Period (31.12.2018)</b>
<b>General Provisions</b>	<b>226.817</b>
Allocated for Group - I loans and receivables (Total)	185.349
Additional provision for loans and receivables with extended maturities	-
Allocated for Group - II loans and receivables (Total)	32.237
Additional provision for loans and receivables with extended maturities	-
Allocated for non-cash loans	209
Other	9.022

**10.b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:**

There are no foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables (31 December 2018: None).

**10.c) Specific provisions provided for unindemnified non-cash loans:**

Expected credit loss provisions for non-cash loans that are non-funded and non-transformed into cash amounting to TL 1 as of 31 December 2019. (31 December 2018: TL 2)

**10.d) Other provisions:**

- i) There is a TL 940 provision reserved for the cases filed against the Bank.
- i) The Bank accounts for the provisions for employee benefits in accordance with the Turkish Accounting Standards No: 19 and recognizes in financial statements. As of 31 December 2019, the Bank allocated provision for employee benefits amounting to TL 10.586 (31 December 2018: TL 40.537), for unused vacation accruals amounting to TL 1.392 (31 December 2018: TL 292) and for personnel premium provision amounting to TL 13.650.

**11.a) Information on current tax liability:****11.a.1) Information on tax provision:**

	<b>Current Period (31.12.2019)</b>		<b>Prior Period (31.12.2018)</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Corporation tax and deferred tax</b>				
Corporate tax payable	41.477	-	33.075	-
Deferred tax payable	11.682	-	-	-
<b>Total</b>	<b>53.159</b>	<b>-</b>	<b>33.075</b>	<b>-</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and notes related to liabilities (Continued):****11. Explanations on tax liabilities:****11.a.2) Information on taxes payable:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Corporate tax payable	41.477	33.075
Taxation on income on marketable securities	2	3
Property tax	2	2
Banking insurance transaction tax (BITT)	974	647
Foreign exchange transaction tax	3	
Value added tax payable	171	104
Other	1.309	1.043
<b>Total</b>	<b>43.938</b>	<b>34.874</b>

**11.a.3) Information on premiums:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Social security premiums- Employee	711	61
Social security premiums- Employer	1.041	90
Bank social aid pension fund premium- Employee	-	-
Bank social aid pension fund premium- Employer	-	-
Pension fund membership fees and provisions- Employee	-	-
Pension fund membership fees and provisions- Employer	-	-
Unemployment insurance- Employee	51	4
Unemployment insurance- Employer	102	9
Other	-	-
<b>Total</b>	<b>1.905</b>	<b>164</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and notes related to liabilities (Continued):**

**12. Information on deferred tax liabilities:**

As of 31 December 2019, the Bank has a deferred tax liability of TL 11.682. (31 December 2018: None). The deferred tax liability has been calculated over the book's book values and the assets and liabilities followed by the book, as well as the temporary differences created by the tax base values calculated in accordance with the tax legislation. In case the items that constitute the temporary differences are monitored among the equity items, the deferred tax asset/liability calculated over the said temporary differences are associated with the related equity items, and as of 31 December 2019, the Bank has no tax assets calculated over the period loss or tax deduction. 2018: None).

	<b>Current Period</b>	<b>Prior Period</b>
	<b>(31.12.2019)</b>	<b>(31.12.2018)</b>
<b>Deferred Tax Assets</b>		-
From Depreciations	367	-
From Interest Rediscounts	405	245
From Severance Payments	2.635	8.982
Other Non-Financial Treasury Bills and Government Bonds	291	292
Uncollectable Loans	757	532
Actuarial	5	-
Financial Institutions Bills in Securities Portfolio	859	-
Personnel Bonus Premium Provision	3.003	-
Other	342	733
<b>Total Deferred Tax Assets</b>	<b>8.664</b>	<b>10.784</b>
<b>Deferred Tax Liabilities</b>	-	-
From Depreciations	194	194
From Interest Rediscounts	810	39
Actuarial	48	203
Subsidiaries	-	4.519
Financial Institutions Bills in Securities Portfolio	2	-
Other Non-Financial Treasury Bills and Government Bonds	11.160	-
TFRS 9 Transition Provision	7.757	-
TFRS 16 Leases	375	-
Other	-	4.085
<b>Total Deferred Tax Liabilities</b>	<b>20.346</b>	<b>9.040</b>
<b>Net Deferred Tax Assets /(Liabilities)</b>	<b>(11.682)</b>	<b>1.744</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and notes related to liabilities (Continued):****13. Information on liabilities regarding assets held for sale and discontinued operations:**

None.

**14. Information on subordinated loans:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	1.028.893	-	-
Subordinated Loans(*)	-	1.028.893	-	-
Subordinated Debt Instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	373.162	-	336.270
Subordinated Loans	-	373.162	-	336.270
Subordinated Debt Instruments	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.402.055</b>	<b>-</b>	<b>336.270</b>

(\*) Banks with assets between Turkey TVF Fund Management Inc.'s site in Old Market Stabilization Fund and the balance, with the approval of the BRSA dated April 19, 2019; indefinite, with the option to pay early at the end of the 5th year, fixed interest rate, first interest payment EUR 150 million to be paid at the end of the 5th year, in accordance with the provisions of Article 7 of the BRSA's "Regulation on Banks' Equity" in accordance with the provisions of Article 7 of the BRSA. A subordinated loan agreement has been signed and the transaction has been completed as of April 24, 2019.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and notes related to liabilities (Continued):****15. If other liabilities exceed 10 % of the balance sheet total, name and amount of sub-accounts constituting at least 20 % of grand total:**

Other liabilities do not exceed 10% of the balance sheet total.

**16. Information on shareholder's equity:****16.a) Presentation of paid-in capital:**

	Current Period (31.12.2019)	Prior Period (31.12.2018)
Common Stock	850.000	500.000
Preferred Stock	-	-

**16.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Bank, if so amount of registered capital ceiling:**

Capital System	Paid-in capital	Ceiling
Registered capital	850.000	2.500.000

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

Increase Date	Increase Amount	Cash	Income Reserves Subject to Increase	Capital Reserves Subject to Increase
30.06.2019	350.000	350.000	-	-

**16.d) Information on additions from capital reserves to capital in the current period:**

There is no increase from capital reserves.

**16.e) Capital commitments in the last fiscal year and that continue until the end of the following year-ended, general purpose of these commitments and projected resources required to meet these commitments:**

The Bank has no capital commitments.

**16.f) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions based on the uncertainty of these indicators on the Bank's equity:**

The income of the prior periods, profitability and liquidity of the Bank and projections for the successive periods are followed by Business, Product and Planning Department. Given the conditions of Turkish economy and the Bank's prior period performance; when its revenue, profitability and liquidity is considered, it is estimated that Bank will continue to increase its shareholders' equity and is not going to experience significant issue in capital adequacy ratio.

**16.g) Information on preferred shares:**

The Bank has no preferred shares.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and notes related to liabilities (Continued):**

**16.h) Information on accumulated other comprehensive income or loss that will be reclassified to profit or loss:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	16.022	13.908
Valuation difference	32.235	3.447	(1.034)	(2.597)
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>32.235</b>	<b>3.447</b>	<b>14.988</b>	<b>11.311</b>

**III. Explanations and notes related to off-balance sheet accounts**

**1. Information on off-balance sheet liabilities:**

**1.a) Nature and amount of irrevocable loan commitments:**

	Current Period (31.12.2019)	Prior Period (31.12.2018)
Share capital commitments to associates and subsidiaries	-	11.428
<b>Total</b>	<b>-</b>	<b>11.428</b>

**1.b) Nature and amount of possible losses and commitments from the off-balance sheet items including the below mentioned:**

None. (31 December 2018: TL 2).

**1.b.1) Guarantees, confirmed bills and guarantees assessed as financial guarantees and non-cash loans including other letter of credits:**

The Bank has no letters of credit commitments. (31 December 2018: TL 27.788). The Bank has no guarantee and bank acceptances.

**1.b.2) Definite guarantees, tentative guarantees, suretyships and similar transactions:**

Total amount of the Bank's TL letters of guarantee are TL 13 (31 December 2018: TL 37). TL 3 (31 December 2018: TL 4) of this amount is letters of guarantee given to customs and other part is definite letters of guarantees.

**1.c.1) Total non-cash loans:**

	Current Period (31.12.2019)	Prior Period (31.12.2018)
Non-cash loans for providing cash loans	-	-
With original maturity of one year or less	-	-
With original maturity more than one year	-	-
Other non-cash loans	13	27.825
<b>Total</b>	<b>13</b>	<b>27.825</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and notes related to off-balance sheet accounts (continued):**

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

**1.c.2) Non-cash loans sectoral risk concentrations:**

	Current Period (31.12.2019)				Prior Period (31.12.2018)			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	1	<b>7,68</b>	-	-	2	<b>5,41</b>	-	-
Farming and raising livestock	1	7,68	-	-	2	5,41	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	3	<b>17,24</b>	-	-	2	<b>5,41</b>	<b>27.788</b>	<b>100,00</b>
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	3	17,24	-	-	2	5,41	-	-
Electricity, gas and water	-	-	-	-	-	-	27.788	100,00
Construction	-	-	-	-	-	-	-	-
Service	9	<b>75,08</b>	-	-	33	<b>89,18</b>	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	-	-	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	9	75,08	-	-	33	89,18	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>100,00</b>	-	<b>100,00</b>	<b>37</b>	<b>100,00</b>	<b>27.788</b>	<b>100,00</b>

**1.c.3) Non-cash loans classified in Group I and II:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	I. Group		I. Group	
Non-cash loans	TL	FC	TL	FC
Letters of guarantee	13	-	37	-
Letters of credit	-	-	-	27.788

**2. Information on derivative financial instruments:**

The Bank has no derivative instruments.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to off-balance sheet accounts (continued):**

**3. Information on contingent liabilities and assets:**

Istanbul Venture Capital Initiative (IVCI - A Luxemburg Investment Company Fund) is founded as a stock company having variable capital and subject to laws of Luxemburg. The Bank has committed to buy "Group A" shares equal to nominal value of EUR 10 million and to pay this amount at the date determined by Fund according to its investment plan. The Fund's initial capital commitment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Bank's participation was approved by the Board of Directors of IVCI on 13 November 2007 and share purchase agreement was signed at of the same date.

The Bank made payment of share capital constituting payments equal to EUR 300.000 on 7 November 2008, EUR 218.750 on 6 July 2009 and EUR 281.250 on 12 November 2010, EUR 167.500 on 15 July 2011, EUR 437.500 on 10 November 2011, EUR 500.000 on 15 February 2012, EUR 500.000 on 25 May 2012, EUR 250.000 on 10 August 2012, EUR 500.000 on 19 September 2012, EUR 500.000 on 18 January 2013, EUR 500.000 on 27 June 2013 and EUR 500.000 on 13 December 2013, EUR 500.000 on 1 August 2014, EUR 500.000 on 29 August 2014, EUR 500.00 on 4 May 2015, EUR 500.000 on 16 October 2015, EUR 500.00 on 3 May 2016 and EUR 312.500 on 30 November 2017, EUR 312.500 on 2 March 2018, EUR 312.500 on 12 December 2018, EUR 980.842 on 13 December 2019. The total capital payment is EUR 9.073.342.

With reference to the above capital contributions, out of the Bank's total commitment of EUR 10 million, EUR 9.073.342 have been paid, EUR 926.658 is not yet paid as of the balance sheet date.

The Bank has made an investment commitment of up to 3 Million EURO to 212 Regional Fund II, whose establishment location is Luxembourg, as a limited partner, below 10% of the total fund commitment amount.

The Bank made payment of share capital constituting payments equal to EUR 45.000 on 31 December 2018, EUR 120.000 on 21 January 2019 and EUR 330.000 on 21 March 2019, EUR 120.000 on 09 September 2019, EUR 330.000 on 09 December 2019.

With reference to the above capital contributions, out of the Bank's total commitment of EUR 3 million, EUR 945.000 have been paid, EUR 2.055.000 is not yet paid as of the balance sheet date.

As 31 December 2019, there are 137 cases which are brought against the Bank. The risk amount is TL 7.550. The Bank has allocated a free provision of TL 940 for the cases that are likely to be concluded or likely to be concluded.

**4. Services supplied on behalf of others:**

The Bank does not act as an intermediary for purchases and sales of securities on behalf of others and provides custody services.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to statement of profit or loss:**

**1.a) Information related to interest income on loans:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
<b>Interest on Loans</b>				
Short term loans	637	11.837	630	5.834
Medium and long term loans	85.248	637.465	67.686	421.326
Interest on non-performing loans	15.479	-	753	-
<b>Total</b>	<b>101.364</b>	<b>649.302</b>	<b>69.069</b>	<b>427.160</b>

**1.b) Information related to interest income on banks:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks	225.482	9.106	95.689	6.948
From foreign banks	9	-	-	50
From foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>225.491</b>	<b>9.106</b>	<b>95.689</b>	<b>6.998</b>

**1.c) Information related to interest income on marketable securities:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
From financial assets at fair value through profit and loss	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	62.798	5.323	16.501	4.286
Financial Assets Measured at Amortised Cost	8.396	31.603	4.402	-
<b>Total</b>	<b>71.194</b>	<b>36.926</b>	<b>20.903</b>	<b>4.286</b>

**1.d) Information related to interest income from subsidiaries and associates::**

None.

**1.e) Information on interest income from money market transactions:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Money Market Transactions	3.685	-	43.332	-
Reverse repurchase agreements	35.743	-	21.633	-
<b>Total</b>	<b>39.428</b>	<b>-</b>	<b>64.965</b>	<b>-</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to statement of profit or loss (continued):**

**2.a) Information related to interest expense on borrowings:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Banks (*)	-	336.395	-	727
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	7.958	-	727
Foreign Banks	-	328.437	-	-
Foreign Head Office and Branches	-	-	-	-
Other Institutions	1.132	85.263	762	230.790
<b>Total</b>	<b>1.132</b>	<b>421.658</b>	<b>762</b>	<b>231.517</b>

(\*)Includes fees and commissions related to borrowings.

**2.b) Information related to interest expenses to subsidiaries and associates:**

None.

**2.c) Information related to interest on securities issued:**

The Bank has no securities issued.

**2.d) Information related to interest on money market transactions:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Money market transactions	128	113	-	-
Repurchase agreements	188	-	63	-
<b>Total</b>	<b>316</b>	<b>113</b>	<b>63</b>	<b>-</b>

**2.e) Leasing interest expenses:**

	Current Period (31.12.2019)		Prior Period (31.12.2018)	
	TL	FC	TL	FC
Buildings	1.872	-	-	-
Vehicles	322	-	-	-
<b>Total</b>	<b>2.194</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3. Information related to dividend income:**

	Current Period (31.12.2019)	Prior Period (31.12.2018)
From Financial Assets at Fair Value Through Profit and Loss	4.449	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	272	-
Other	119	1.791
<b>Total</b>	<b>4.840</b>	<b>1.791</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to statement of profit or loss (continued):**

**4. Information related to trading income/loss:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
<b>Gain</b>	<b>54.704</b>	<b>22.518</b>
Gains on capital market operations	24.047	20
Gains on derivative financial instruments	2.799	-
Foreign exchange gains	27.858	22.498
<b>Loss (-)</b>	<b>(20.087)</b>	<b>(27.443)</b>
Losses from the capital market operations	(2)	(1)
Losses on derivative financial instruments	(5.942)	-
Foreign exchange losses	(14.143)	(27.442)

**5. Information related to other operating income:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Income from sale of assets	280	5.018
Reversals from prior years' provisions	19.680	9.110
Other	3.179	1.560
<b>Total</b>	<b>23.139</b>	<b>15.688</b>

Generally, the Bank's other operating income consists of the severance pay provisions allocated in previous years, the cancellation of the expected loss provisions in the third stage and the revenues from its active sales.

**6. Bank's expected credit loss expenses:**

	<b>Current Period (31.12.2019)</b>
Expected Credit Loss Provisions	52.038
12 month expected credit loss (Stage 1)	21.571
Significant increase in credit risk (Stage 2)	16.148
Under Follow-up loans (Stage 3)	14.319
Marketable Securities Impairment Expense	835
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	835
Subsidiaries, Associates and Joint Ventures Provision Expenses for Impairment	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
<b>Total</b>	<b>52.873</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to statement of profit or loss (continued):**

**6. Bank's expected credit loss expenses (Continued):**

	<b>Prior Period (31.12.2018)</b>
Specific Provisions	579
Loans and Receivables with Limited Collectability	-
Loans and Receivables with Doubtful Collectability	190
Uncollectible Loans and Receivables	389
General Provisions	154.194
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Subsidiaries, Associates and Joint Ventures Provision Expenses for Impairment	1
Associates	1
Subsidiaries	-
Joint Ventures	-
Other	-
<b>Total</b>	<b>154.774</b>

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

	<b>Current Period (31.12.2019)</b>
Provision for employee termination benefits <sup>(**)</sup>	17.615
Provision expense for bank social aid fund deficits	-
Fixed assets impairment charges	-
Depreciation charges of fixed assets	6.914
Intangible assets impairment charges	-
Goodwill impairment charges	-
Amortization charges of intangible assets	1.124
Impairment charges on investments accounted for at equity method accounting	-
Impairment charges of assets that will be disposed	-
Amortization charges of assets that will be disposed	-
Impairment charges for non-current assets held for sale and discontinued operations	-
Other operating expenses	18.307
Operational leasing expenses	107
Maintenance expenses	1.508
Advertisement expenses	30
Other expenses (*)	16.662
Loss on sale of assets	-
Other	11.242
<b>Total</b>	<b>55.202</b>

(\*) TL 3.833 of other expenses is from cleaning expenses, TL 3.099 is from communication expenses, TL 2.459 is from security expenses, TL 1.242 is from computer usage expenses, TL 1.249 is from heating, lighting and water expenses, TL 1.564 is from vehicle expenses, TL 233 amount consists of dues and 2.983 TL remaining portion consists of various other expenses.

(\*\*) Employment Termination Provision" and "Short Term Employee Benefits Provision" expenses are presented under "Other Provision Expenses" line at current period income statement.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to statement of profit or loss (continued):**

**7. Information related to other operating expenses (continued):**

	<b>Prior Period (31.12.2018)</b>
Personnel expenses	64.809
Provision for employee termination benefits	7.671
Provision expense for bank social aid fund deficits	-
Fixed assets impairment charges	-
Depreciation charges of fixed assets	4.370
Intangible assets impairment charges	-
Goodwill impairment charges	-
Amortization charges of intangible assets	1.229
Impairment charges on investments accounted for at equity method accounting	-
Impairment charges of assets that will be disposed	-
Amortization charges of assets that will be disposed	-
Impairment charges for non-current assets held for sale and discontinued operations	-
Other operating expenses	12.711
Operational leasing expenses	92
Maintenance expenses	602
Advertisement expenses	142
Other expenses <sup>(*)</sup>	11.875
Loss on sale of assets	5
Other	5.349
<b>Total</b>	<b>96.144</b>

<sup>(\*)</sup>Other expenses consist of cleaning expenses amounting to TL 4.362, communication expenses amounting to TL 1.617, security expenses amounting to TL 1.918, computer usage expenses amounting to TL 905, heating, lighting and water expenses amounting to TL 1.054, vehicle expenses amounting to TL 659, dues amounting to TL 298 and other expenses amounting to TL 1.062.

**8. Information related to operating profit/loss before taxes:**

As of 31 December 2019, the Bank's income before tax from the continuing operations is TL 586.304 (31 December 2018: TL 244.787) and the Bank has no discontinued operations.

**9. Information related to tax provisions for taxes:**

As of 31 December 2019, the Bank's income tax provision from continuing operations amounting to TL 139.198, (31 December 2018: TL 84.494) consists of TL 144.270 of current tax charge (31 December 2018: TL 85.310), TL 5.072 of deferred tax benefit (31 December 2018: 816).

**10. Information related to net operating income after taxes:**

The Bank has earned net profit of TL 447.106 from continuing operations between 1 January 2019 and 31 December 2019 (Between 1 January 2018-31 December 2018: TL 160.293).

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and notes related to statement of profit or loss (continued):**

**11. Information on net profit/loss:**

**11.a) The nature and amount of income and expenses from ordinary banking operations, if their nature, amount and frequency are required for the complete understanding of the performance of the Bank in the current period:**

None.

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

There are no changes in accounting estimates.

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

As of 31 December 2019, other fees and commissions received amounts to TL 15.550; (31 December 2018: TL 26.524) and TL 12.213 of this amount consists of project service income ( 31 December 2018: TL 22.605).

**V. Explanations and Notes Related to Statement of Changes in Shareholders' Equity:**

In legal records, paid-in capital is TL 850.000 (31 December 2018: TL 500.000). As of the balance sheet date, the balance of legal reserves is TL 47.157 (31 December 2018: TL 39.142), the balance of extraordinary reserves is TL 631.753 (31 December 2018: TL 480.290) and the balance of other legal reserves is TL 3.702 (31 December 2018: TL 2.866).

The fair value difference of 36.204 TL, which is the entire valuation difference of securities, results from the increase in value of financial assets reflected in other comprehensive income.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VI. Explanations and Notes Related to Cash Flow Statement:****1. Explanations related to “other” items and “effect of change in foreign currency rates on cash and cash equivalents” in statement of cash flows:**

Net cash inflows from the Bank's banking activities amount to TL 878.701 (31 December 2018: TL (123.100)). TL 350.982 (31 December 2018 (493.342) TL) of the net cash inflows arising from banking activities is due to the change of active and passive accounts; TL 527.719 (31 December 2018: TL 370.242) arises from operating profit. Funds from which “Net Increase (Decrease) in Other Payables” item, which is included in the exchange of active and passive accounts, originates from changes in repo transactions, various debts, other foreign resources and taxes to be paid, changes in pictures, fees and premiums and is 81.896 TL (31 December 2018 100.971 TL). The “Other” item included in the operating profit is composed of items such as wages and commissions, other operating expenses except commercial profit / loss and personnel expenses, and it has been 76.285 TL (31 December 2018: 164 TL).

There is cash inflow from financing activities due to cash capital reason and other subordinated loans in 2019.

The effect of change in foreign currency rates on cash and cash equivalents is calculated by converting original currencies of cash and cash equivalents into TL using rates for both beginning and end of the period. The effect for the current period is calculated as TL 10.747 (31 December 2018: TL 102.934).

**2. Cash and cash equivalents at the beginning of the period:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Cash	65.738	13.688
Cash in TL and foreign currencies	73	84
Demand deposits at banks and Central Bank of the Republic of Turkey	65.665	13.604
Cash equivalents	1.557.819	1.643.919
Interbank money market	1.203.935	323.413
Time deposits at banks	353.884	1.320.506
<b>Total cash and cash equivalents</b>	<b>1.623.557</b>	<b>1.657.607</b>

The total value of the transactions in prior period is the sum of current periods cash and cash equivalents.

**3. Cash and cash equivalents at the end of the period:**

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Cash	24.002	65.738
Cash in TL and foreign currencies	17	73
Demand deposits at banks and Central Bank of the Republic of Turkey	23.985	65.665
Cash equivalents	2.446.567	1.557.819
Interbank money market	127.486	1.203.935
Time deposits at banks	2.319.081	353.884
<b>Total cash and cash equivalents</b>	<b>2.470.569</b>	<b>1.623.557</b>

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations Related to Risk Group of the Bank:**

Predicted limitations determined in the Banking Law are maintained through internal regulations in the Bank which has no transactions related to deposit acceptance. For the transactions with risk groups, normal customer relationships and market conditions are taken into account. The Bank adopts policies that restrict the balance of transactions with risk groups in total assets and liabilities. Practices are carried out in accordance with this policy.

**a) Current Period:**

<b>Risk Group</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Loans	-	-	-	-	-	-
Beginning Balance	138	-	-	-	-	-
Closing Balance (*)	-	-	-	-	-	-
Interest and Commissions						
Income	-	-	-	-	-	-

(\*) TL 1.785 of loan extended to Arıcak A.Ş., a subsidiary of the Bank, has been followed in Group V. For this loan, TL 1.785 is set aside for the expected loss in the third stage.

**b) Prior Period:**

<b>Risk Group</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Loans	-	-	-	-	-	-
Beginning Balance	81	-	-	-	-	-
Closing Balance (*)	138	-	-	-	-	-
Interest and Commissions						
Income	-	-	-	-	-	-

(\*) TL 5.684 of loan extended to Arıcak A.Ş., a subsidiary of the Bank, has been followed in Group V. For this loan, TL 5.546 specific provision has been provided.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION FIVE (Continued)****EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VII. Explanations Related to Risk Group of the Bank (Continued):**

c) **Information on forward transactions, option contracts and similar other transactions between the Bank and its risk groups:**

None.

d) **Information on remuneration and benefits provided for the senior management of the Bank:**

Salaries and dividend paid to members of Board of Directors, Supervisory Board, General Manager and Vice General Managers are presented below.

	<b>Current Period (31.12.2019)</b>	<b>Prior Period (31.12.2018)</b>
Salaries	5.998	1.684
Dividend and fringe benefits	80	274
<b>Total</b>	<b>6.078</b>	<b>1.958</b>

**VIII. Explanations Related to the Bank's Domestic, Foreign and Off-shore Branches and Representatives Abroad:**

None.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****As of 31 December 2019**

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

**SECTION SIX****I. Other explanations related to Operations of the Bank:**

The summary of information on the Bank's rating by International Rating Agencies:

The international ratings of the Bank are performed by Fitch on 23 May 2019. Below are the ratings of the Bank, which Fitch Ratings has made updates on July 18, 2019, October 4, 2019 and November 12, 2019.

	<b>2019</b>	<b>2018</b>
Foreign Currency Commitments		
Long Term	BB-	BB
Short Term	B	B
Outlook	Stable	Negative
Turkish Lira Commitments		
Long Term	BB-	BB+
Short Term	B	F3
Outlook	Stable	Negative
National		
Long Term	AAA(TUR)	AAA(TUR)
Outlook	Stable	Stable
Individual Rating	3	3
Support Points	BB-	BB

**II. Explanations related to subsequent events:**

None.

**TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**As of 31 December 2019**

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

**SECTION SEVEN**

**INDEPENDENT AUDITORS' REPORT**

**I. Explanations on Independent Auditors' Report:**

The financial statements as of 31 December 2019 were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of KPMG International Cooperative, a Swiss entity) and Independent Auditor's Report dated 14 February 2020 is presented preceding the financial statements.

**II. Explanations and Notes Prepared by Independent Auditor:**

None.