TÜRKİYE SİNÂİ KALKINMA BANKASI A.Ş.
The Summary Project Financial Statements of “Innovative Access to Finance Project” (the USD Tranche) With Independent Auditors’ Report As at 31 December 2018
Independent Auditor's Report

To the Shareholders of Türkiye Sinai Kalkınma Bankası A.Ş.

Opinion

We have audited the accompanying statements of the Project Balance Sheet, Designated Account, Uses of Funds by Participating Financial Institutions of Türkiye Sinai Kalkınma Bankası A.Ş. (the “Bank” or “TSKB as of and for the year ended 31 December 2018 and a summary of significant accounting policies and other explanatory information (together “the project financial statement”).

In our opinion, the accompanying project financial statement of the Bank as at December 31, 2018 is prepared in accordance with the accounting described in Note 3 to the project financial statement.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 3 to the financial statement, which describes the basis of accounting. The financial statements are prepared upon the request of the Bank for the purpose of disclosing on the Bank’s website in relation to the loan agreement between the Bank and IBRD. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Bank and IBRD and should not be used by parties other than the Bank and IBRD. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of this project financial statement in accordance with the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the project financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the project financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The partner in charge of the audit resulting in this independent auditor’s report is Yaşar Bivas.

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

Yaşar Bivas, SMMM
Partner

28 March 2019
İstanbul, Türkiye
SUMMARY PROJECT BALANCE SHEET

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated Account</td>
<td>-</td>
</tr>
<tr>
<td>Total Extended To PFIs</td>
<td>189,525,000</td>
</tr>
<tr>
<td>Participation Banks</td>
<td>167,525,001</td>
</tr>
<tr>
<td>Factoring Companies</td>
<td>21,999,999</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>189,525,000</strong></td>
</tr>
<tr>
<td>Amount due to World Bank</td>
<td>190,000,000</td>
</tr>
<tr>
<td>Credit Line</td>
<td>189,525,000</td>
</tr>
<tr>
<td>Up-front Fee</td>
<td>475,000</td>
</tr>
<tr>
<td>Other (*)</td>
<td>(475,000)</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>189,525,000</strong></td>
</tr>
</tbody>
</table>

(*) "Other" comprises up-front fee (USD 475,000).
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
INNOVATIVE ACCESS TO FINANCE LOAN NO: 8409-TR
DESIGNATED ACCOUNT ("DA") STATEMENT AS OF 31 DECEMBER 2018
(Amounts expressed in USD unless otherwise stated.)

**DESIGNATED ACCOUNT ("DA") STATEMENT**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2018</td>
<td>30,000.000</td>
</tr>
<tr>
<td>IBRD advances used during the period</td>
<td>17,850.718</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,850.718</td>
</tr>
<tr>
<td>Refund to IBRD from DA during the period</td>
<td>-</td>
</tr>
<tr>
<td>Less: Finance advanced/expenses paid in period</td>
<td>47,850.718</td>
</tr>
<tr>
<td><strong>Closing balance per DA Statement</strong></td>
<td>-</td>
</tr>
</tbody>
</table>
NOTES TO THE SUMMARY PROJECT FINANCIAL STATEMENTS

1- OBJECTIVES AND NATURE OF THE PROJECT

Türkiye Sınai Kalkınma Bankası ("TSKB") received a loan of USD 190.000.000 (the USD Tranche); and EUR 44.100.000 (the EUR Tranche) for financing of Innovative Access to Finance Project from the International Bank for Reconstruction and Development (IBRD).

The objectives of the Project is to improve access to longer term Islamic finance and to factoring for small and medium enterprises and export oriented enterprises.

The project consists of the establishment and operation of a financing facility within TSKB for the provision of financing (through Subsidiary Financing) to PFIs ("Participating Financial Institution") for said PFIs to provide financing (through Sub-financing) to SMEs ("Small and Medium Enterprises") and EOEs ("Export Oriented Enterprises") to carry out Sub-projects.

The lending instrument for the IA2F project is the World Bank's Variable Spread Loan (FSL) in two currencies (US Dollar and EUR) with a maturity till 2041 with a grace period that ends in 2021. The instrument will have a variable spread over the Reference Rate for the loan currency, and is planned as a loan with a long maturity both for the Bank loan to the Borrower (TSKB), and for the subsidiary loans from the Borrower to participating financial intermediaries.

Under the Guarantee of Republic of Turkey, as the Lender of Innovative Access to Finance Loan Project, IBRD is on-lending the loan to TSKB. The on-lending is being carried out by means of subsidiary finance agreements between TSKB and Participating Financial Institutions (PFI). The PFI is in turn engaging in sub-loans to Beneficiary Enterprises satisfying a set of eligibility criteria, according to agreed sub-loan terms and conditions and safeguard review procedures and procurement guidelines.

2- OPERATIONS OF THE PROJECT IMPLEMENTING AGENCY

Headquartered in Istanbul and established in 1950 with the support of World Bank and the Central Bank of Turkey and shareholding of private commercial banks, Türkiye Sınai Kalkınma Bankası (TSKB) is Turkey's first privately-owned development and investment bank. Since the day it was founded, TSKB has been supporting Turkey's sustainable growth with its deep knowledge and experience as well as the broad array of corporate banking, investment banking, and consultancy services that it provides its customers. Through financial subsidiaries offering real estate and sustainability solutions, TSKB also adds value to its customers' investments. The bank conducts its business through its head office in Istanbul and through its Ankara and İzmir branches.

Ever since its inception, TSKB has been engaging in business partnerships with supranational financial institutions, international development agencies, and banks and financial institutions all over the world through which it brings qualified and themed global funds together with investments undertaken by the Turkish business world.

With a wide range of credit options that include corporate lending, project finance, and much more, TSKB provides financing support to sustainable investment projects in many different sectors. At the same time and in its capacity as an effective investment bank, TSKB also gives its customers the benefit of its international-class investment banking experience with products and services that have been carefully crafted to meet their specific needs.

As a bank that recognizes and internalizes the economic, environmental, and social aspects of sustainability, TSKB has undertaken many initiatives and it commands respect on that front not just in Turkey but abroad as well. TSKB is one of the pioneers in sustainable banking in Europe.
NOTES TO THE SUMMARY PROJECT FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2018
(Amounts expressed in USD unless otherwise stated.)

3- MAIN ACCOUNTING POLICIES
The Bank prepares its summary project financial statements on cash basis. Accordingly, the Bank does not calculate any interest income and expense accrual for the related period.

Uses of Funds by Participating Financial Institutions and names of participation banks and factoring companies in Project Balance Sheet are not presented as of 31 December 2018.

Expenditure list from beneficiary enterprises are recorded in local or foreign currency and converted to USD or EUR according to the type of the Tranche by using the prevailing exchange rates as of the date of the procurement realized by those enterprises. Disbursements to the PFIs are recorded in USD or EUR according to the type of the Tranche, they would like to draw down. The collections from the PFIs are also made in the corresponding currency.

4- RESTRICTED USE OF FUNDS AND OTHER ASSETS
In accordance with the loan agreement between the Bank and IBRD, funds available in the Designated Account are restricted to project purposes only.

5- INNOVATIVE ACCESS TO FINANCE LOAN
IBRD agreed to lend to TSKB a total amount of USD 190.000.000 and EUR 44.100.000 as Innovative Access to Finance Project. The front-end fee equals to 0,25 % of the Loan amount. The amounts allocated to be extended as participation bank and factoring company PFIs ("Participating Financial Institutions") equal to USD 189.525.000 and EUR 43.989.750.

The loan has a maturity till 2041 and repayments will start in the year 2021.

In order to draw down funds under the Innovative Access to Finance Project, TSKB is entering into subsidiary loan agreements with the Participating Financial Institutions. The PFIs enter into sub-loan with beneficiary enterprises. The sub-loans are in accordance with the Innovative Access to Finance sub-loan terms and conditions and prudent banking practices.

Sub-loans are being provided for financing of raw material, spare parts, plant and equipment, and works both for working capital as well as investment purposes.

TSKB is obliged to pay a front-end fee to IBRD in an amount of USD 475.000 for the Dollar Tranche and EUR 110.250 for the Euro Tranche.

As of 31 December 2018, the total usage of the loan portfolio is given as;

<table>
<thead>
<tr>
<th>Source</th>
<th>Total Support (USD)</th>
<th>Total Usage (USD)</th>
<th>Collections (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank /Treasury USD</td>
<td>189.525.000</td>
<td>189.525.000</td>
<td>-</td>
</tr>
</tbody>
</table>