



# KREDİ KAYIT BÜROSU

Annual Report 2019



# **Kredi Kayıt Bürosu stands for confidence in financial life!**

At KKB, we provide the finance sector, real sector, and individuals with value-added services, and lead the way for a secure future with over 70 innovative products.

Boasting extensive expertise and know-how, KKB minimizes uncertainties in trade and transforms data into a secure future.

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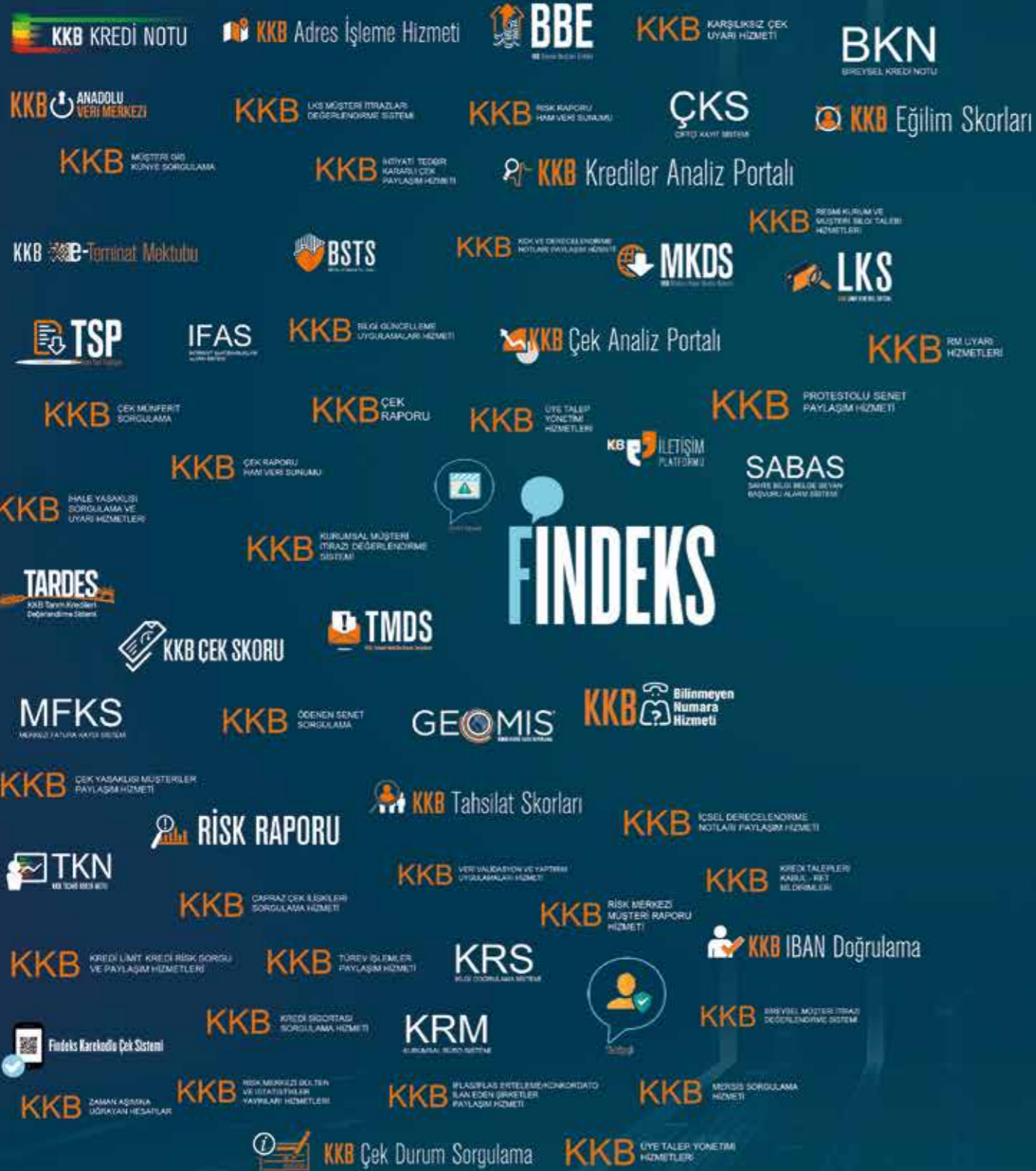
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**WE PROVIDED**  
**181\* MEMBERS**  
**WITH VALUE-ADDED**  
**PRODUCTS AND SERVICES**

As of the end of 2019, 181 members consisting of 53 banks, 56 factorings, 23 leasings, 9 insurance, 15 consumer finance and 21 asset management companies as well as four other companies utilized our advanced product and service portfolio.

*\*As of 31 December 2019, the number of KKB members is 165 and this figure identifies the members who are served through the Risk Center.*



**FINDEKS**

**UP TO  
2 BILLION  
TRANSACTIONS**

The total number of transactions under the entire KKB and Risk Center products and services have reached 2 billion.

# **46 MILLION CHEQUE REPORTS PRODUCED**

46 million Cheque Reports contributed to the risk management activities of the finance sector and the real sector.





**KKB**  **e-Teminat Mektubu**

## **30 BANKS INTEGRATED WITH THE ELECTRONIC LETTER OF GUARANTEE PLATFORM**

30 banks were integrated with the E-Letter of Guarantee Platform, an unprecedented practice in the world, which helps issue electronic letters of guarantee practically and securely.

# 123 THOUSAND DIGITAL TRAINING COURSES TO BOOST FINANCIAL LITERACY

We established the Findeks Academy digital platform to increase financial literacy and facilitate access to financial tools in Turkey. 122,500 training courses were delivered on Findeks Academy, [findeks.com](http://findeks.com) and online video platforms for individuals and the real sector.





**Who We Are**



## 01. ABOUT KKB

KKB makes financial and commercial life easier by serving the finance and real sectors with effective risk management solutions for over 24 years.

Kredi Kayıt Bürosu (KKB) was founded on April 11, 1995, as a partnership between nine leading banks. One of the deep-rooted institutions in the finance sector, KKB has a total of 165 members, including 46 banks, 15 consumer finance, 56 factoring, 22 leasing, 5 insurance, 17 asset management companies, 1 resource organization and 3 other companies as of December 31, 2019. As required by Banking Law No: 5411 (Article 73/4), KKB was established by at least five banks to facilitate the exchange of information and documents between financial institutions. Under the same article, corporate members have been sharing customers' credit information since April 1999.

With the Law No. 6111 issued on February 25, 2011, Additional Article 1 and Provisional Article 28 were added to the Banking Law No. 5411. Pursuant to Additional Article 1, a Risk Center has been established within the organization of the Banks Association of Turkey (TBB) to collect the risk

data of customers of credit institutions and any financial institutions deemed appropriate by the Banking Regulation and Supervision Agency and to share such data with the referenced institutions and with the customers themselves, or with any private legal entities and third natural persons if consent has been given by the customers. Upon transfer of the Risk Centralization Center within the organization of the Central Bank of Turkey (CBRT), the Risk Center of the Banks Association of Turkey (hereinafter "BAT") started its operations on 28 June 2013. KKB conducted all operational and technical activities through its organization as an agency of the Risk Center of TBB and is providing data collection and sharing services to 181 financial institutions which are members of the Risk Center ("RC").

KKB offers its services not only to financial institutions but also to individuals and the real sector through "Cheque Report" and "Risk Report"

## 76 Products and Services

systems launched in January 2013. Offering significant tools for individuals and organizations to manage their financial reputation, KKB introduced Findeks, a financial services platform aimed at individual customers and the real sector in 2014. Ultimately, through the QR Code Cheque System – launched by KKB in 2015, became mandatory by law in 2016, and entered into force as of January 1, 2017 – an important step was taken for a more transparent and secure commercial life. KKB Anadolu Data Center, which started operations in December 2016, provides data center, emergency center and cloud services as well as structured central products tailored for institutions and technology infrastructure services, especially the banking and finance sector. As of the end of 2019, KKB offers 76 products and services for members. KKB has 482 employees as of year-end 2019.

**Accounting Period of the Report**  
01.01.2019-31.12.2019

**Trade Name**  
KKB Kredi Kayıt Bürosu A.Ş.

**Trade Registration Number**  
329148-276730

**MERSİS Number**  
0564-0004-2270-0011

**Address**  
Barbaros Mah. Ardiç Sok. Varyap Meridian F Blok Ataşehir-İstanbul

**Anadolu Kurumlar Tax Office/Tax Number**  
564 000 4227

**Phone Number**  
+90 216 579 29 29

**Fax Number**  
+90 216 455 45 36

**Website**  
www.kkb.com.tr

**Call Center**  
444 99 64 – info@kkb.com.tr

## 02. AWARDS AND ACHIEVEMENTS

KKB won the Golden Sardis Award with its project QR Code Cheque System in the “Product and Service Innovation” category at the Sardis Awards.

### In 2014,

- » GeoMIS, the map-based reporting service, was presented with the “Oracle 2014 Innovator Excellence” award.

### In 2018,

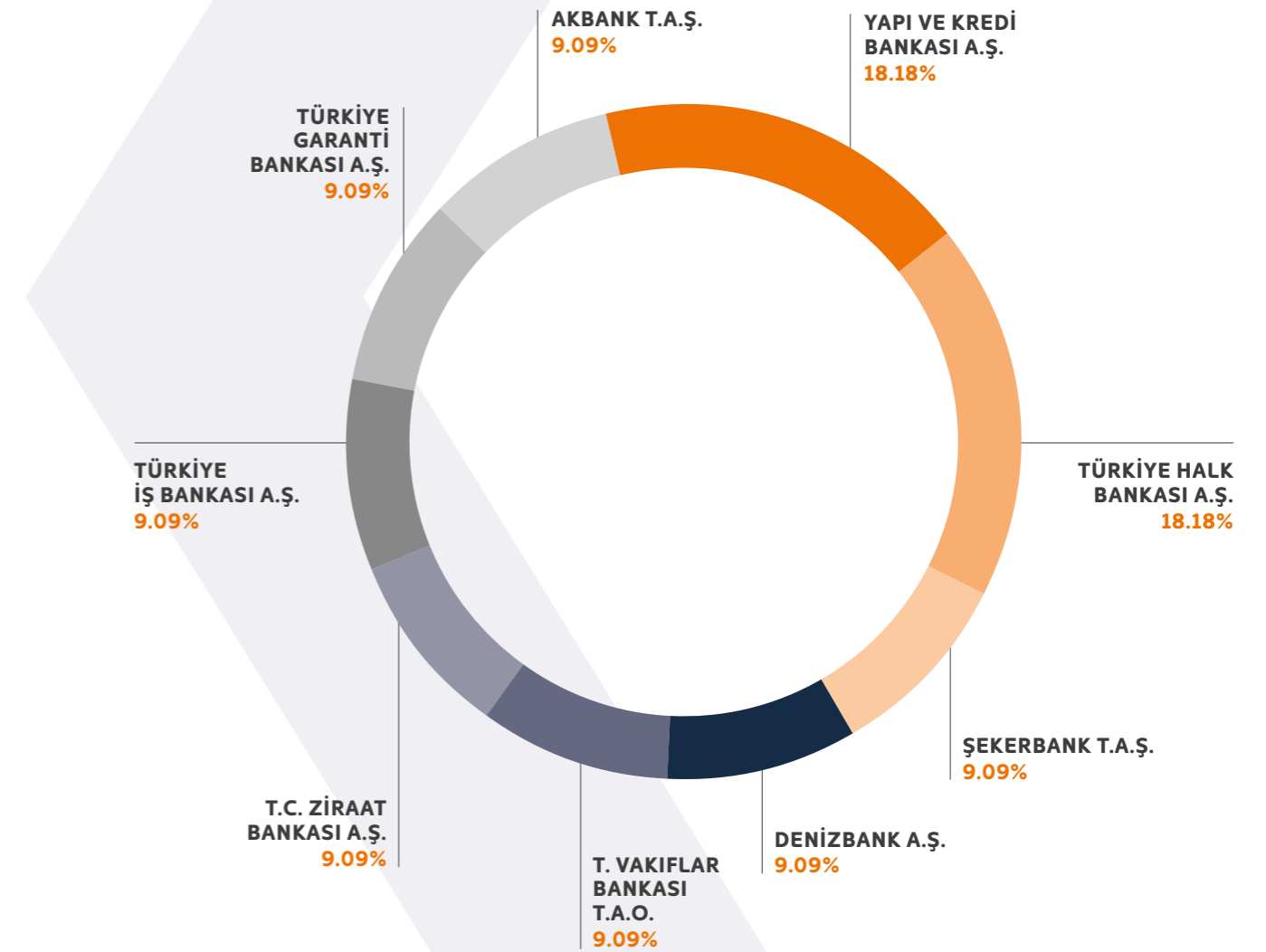
- » Kredi Kayıt Bürosu Information Security team was presented with the “Security Team of the Year” award in Europe, the Middle East and Africa by the global cyber security company FireEye.
- » At the “Best Financial Technology Projects of the Year” Awards, organized as part of the IDC Turkey Finance Summit, KKB’s Electronic Letter of Guarantee project was awarded the first prize in the “Corporate Banking” category.
- » As part of the IDC Turkey Finance Summit, KKB won second prize with its project “Digital Transformation of Software Quality” in the “Data Infrastructure” category at the “Best Financial Technology Projects of the Year” Awards.
- » KKB’s Audio Question Bank project received the “Most Successful Volunteering Project” award from the Private Sector Volunteers Association.
- » The Audio Question Bank project also won awards at the Felis Awards, organized by MediaCat, in the categories of “Education” and “Voluntary Work for Disabled Persons” under the main heading of “Social Responsibility and Sustainability.”

### In 2019,

- » The QR Code Cheque System Project was deemed worthy of the Golden Sardis Award in the “Product and Service Innovation” category at the Sardis Awards.
- » The Electronic Letter of Guarantee Project won the Silver Award in the “Product and Service Innovation Category” at the Sardis Awards.
- » The Audio Question Bank won the Innovation Award at the TISK Corporate Social Responsibility Awards organized by the Turkish Confederation of Employers’ Associations (TISK).
- » With the same project, KKB won the Grand Prize as one of the organizations adding value to sustainable development goals at the Corporate Social Responsibility Summit.
- » The Audio Question Bank also won the Gold Award in the Social Responsibility Project Communications category at the Istanbul Marketing Awards.

## 03. SHAREHOLDING STRUCTURE

Kredi Kayıt Bürosu (KKB) was founded on April 11, 1995, as a partnership between nine leading banks.

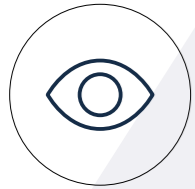


## 04. VISION, MISSION AND STRATEGIES



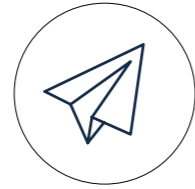
### Vision

To become an exemplary, leading credit bureau in the world and a growing value for Turkey, by exceeding expectations with innovative products and services.



### Mission

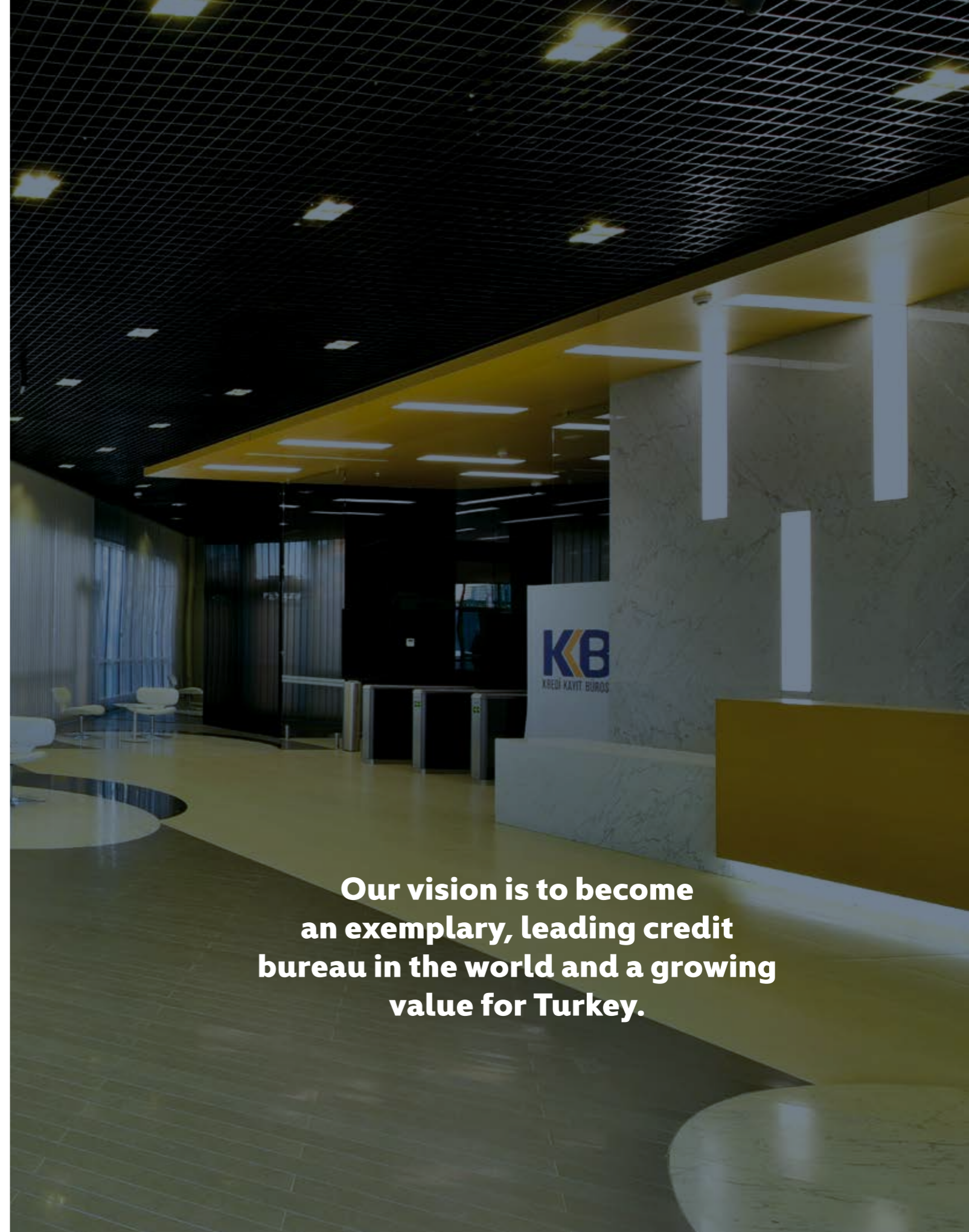
To offer the information and technology that meets the financial needs of the financial industry and the real sector, in the best way, to increase the operational efficiency of the institutions it serves.



### Strategies

- » To ensure the enrichment of the existing database by better managing customer risk with value-added products and services, which we provide to the Risk Center (RC) of the Banks Association of Turkey (TBB) at the highest security standards and service level,
- » To develop analytical models based on data richness with the big data concept and to meet the effective risk management needs of a diverse range of industries,
- » To increase the awareness of receivable risk management and financial literacy by developing products and services for the real sector and individuals,
- » To contribute to domestic R&D activities that support service diversity offered through cloud computing and AI technologies,
- » To cooperate with companies that produce technology and to raise awareness by reducing the real sector's costs of accessing information technologies,
- » To provide a comprehensive report and macro-economic indicator services on the economic/financial outlook and status on behalf of the member organizations of the KKB and the RC,
- » To provide operational efficiency and cost advantages by centralizing transactions realized by different institutions,
- » To effectively analyze the needs that may arise in different industries and provide appropriate solutions,
- » To benefit the society and the environment with corporate social responsibility projects, and raise the society's awareness on this subject,
- » To be an institution committed to delivering a high level of employee satisfaction, prioritizing employee development and synergy between employees, maintaining a strong corporate structure and upholding the principle of equality.

**Our vision is to become an exemplary, leading credit bureau in the world and a growing value for Turkey.**



## 05. MILESTONES

### Findeks Mobile App was revamped and the Findeks product portfolio was expanded upon the introduction of the QR Code Cheque Scores in 2019.

#### 1995

- » KKB was established on April 11.

#### 1999

- » The Credit Reference System (CRS) launched in April.
- » With an amendment to the Banking Law on December 17, 1999, in addition to companies such as banks, insurance providers and consumer finance companies, other corporate enterprises deemed appropriate by the Banking Regulation and Supervision Agency (BRSA) are allowed to become members of KKB.

#### 2000

- » The Customer Objections Handling System (MIDES) launched in April and SABAS went into operation in September.
- » In November, MIDES migrated to an electronic platform, making it possible to reply to a customer's objection within two hours maximum.

#### 2001

- » Credit Account Records as well as Credit Application Records launched in June.

#### 2002

- » The Information Verification System (IVS) went into operation.

#### 2004

- » Individual Credit Score (ICS) was introduced.

#### 2005

- » The Commercial Bureau System was put into use for members in June.

#### 2006

- » MIDES, Information Verification and the Emergency Update System were converted into an online, interactive information exchange platform.
- » The Limit Control System (LCS) was launched pursuant to Article 9 of the Debit Cards and Credit Cards Law.

#### 2007

- » The Internet Frauds Alarm System (IFAS) launched in February.

#### 2008

- » With the addition of the data from Mortgaged Real Estate, Persons Banned from Participation in Tenders, and Bounced Cheques to the Corporate Bureau System (CBS), the database was enriched.
- » The technical infrastructure of SABAS was improved and integrated with the KKB system.

#### 2009

- » The Bounced Cheque Query System launched for inquiry of bounced cheque data, which are shared with the members on a daily basis.

#### 2012

- » Undergoing a period of rapid transformation, KKB set out to create a system for the real sector, similar to the closed-circuit system between banks.

- » In parallel with the modified vision and needs, the organizational structure was revamped, and new corporate identity works were completed.

- » Concrete steps were taken to launch the infrastructure of the Risk Center. Risk and Cheque Reports were introduced and the E-Reporting System, enabling electronic report requests and delivery, became operational.

#### 2013

- » E-Reporting System was launched.
- » Commercial Credit Rating (CCR) was launched.
- » Credit Rating and Cheque Index started to be provided together with the Cheque and Risk Reports.
- » E-Newsletter started to be sent to KKB members regularly.
- » GeoMIS, the map-based reporting service, was made available to CRS-member institutions.
- » TARDES and GeoMIS websites went live.
- » KRM data quality score rose from 80% to 90% with the support of member institutions.
- » Personal Credit Rating (PCR) was opened for use with an upgraded fourth version.
- » Following the agreement executed between the Banks Association of Turkey (TBB) and KKB, works on the Risk Center commenced. The entire infrastructure and operation related works were undertaken by KKB.
- » The website www.kkb.com.tr was renewed.

#### 2014

- » The Findeks brand was introduced and www.findeks.com launched. Findeks was introduced to the press. A 360-degree communications campaign was initiated.
- » The first corporate social responsibility project, "You Imagine, We Realize," organized by KKB for all university students in Turkey, started. The www.hayaledingerceklestirelim.com website went live.
- » Cheque Status Inquiry was launched.
- » The Household Database and Trade Registry Sharing System (TRSS) was launched.
- » The Loans Analysis Portal went live.
- » The Address Processing System was launched.
- » Letter of Guarantee Status Inquiry (LGSİ) was launched.

#### 2015

- » The Findeks QR Code Cheque System launched in collaboration with the Banks Association of Turkey.
- » The National Fraud Detection and Prevention Service was launched.
- » The Factoring Invoice Pool of the Association of Financial Institutions (FKB) was created.
- » The foundation was laid for the Data Center, which will be built in Ankara.
- » The Cross Cheque Relations Inquiry Application was launched.
- » IBAN Verification Service was launched.
- » The KRS daily sharing system went into service.
- » The Real Sector Credit Assessment System, designed in collaboration with the Auto Leasing and Rental Companies Association (TOKKDER) for the vehicle rental and leasing sector, was launched.
- » The second edition of the social responsibility project ideas competition, "You Imagine, We Realize," was organized.

#### 2016

- » QR Code Cheque was enacted on August 9, 2016, with the announcement in the Official Gazette numbered 29796.
- » The construction and infrastructure of the Anadolu Data Center located in Ankara were completed.

- » Cheque Analysis Portal was launched.
- » Limit Control System (LCS) Customer Objection Assessment System (COAS) application was put into service.
- » KKB Unknown Number service was launched.
- » Collection Scores were introduced.
- » Inclination Scores were rolled out.
- » Commercial Credit Rating (CCR) Version 2 was put into service.
- » The total number of annual transactions exceeded 1 billion.
- » The social responsibility project ideas competition "You Imagine, We Realize" was held for the third time.

#### 2017

- » QR Code Cheque implementation became compulsory as of January 1, 2017.
- » KKB's Emergency Center moved to the KKB Anadolu Data Center, which was completed in Ankara.
- » The "Audio Question Bank" was launched by KKB employees to provide equal opportunity for visually impaired students.
- » Force Majeure Inquiry and BKM Member Merchant Turnover Information Inquiry services were launched.
- » Individual Inquiry Reports were put into service.
- » Loan Utilization Instant Sharing Service (KAPS) was introduced.

#### 2018

- » The Findeks QR Code Cheque Registration System was introduced on January 1, 2018.
- » The Electronic Letter of Guarantee project was launched. The first electronic letter of guarantee was issued on October 4, 2018.
- » The Foreign Currency Credit and Income Inquiry System, which enables the instantaneous monitoring of foreign currency income and risks of companies, was introduced.
- » Unpaid invoice information in the telecommunication sector was obtained and shared with the financial sector. In the World Bank's Doing Business Report, KKB received a comprehensive rating in terms of the scope and effectiveness of the credit bureau.

- » Information contained in the Information System of the Tradesmen and Craftsmen (ESBİS) started to be shared with KKB members via MER-SİS.
- » Data richness was ensured by introducing leasing and factoring company notifications into the Corporate Bureau System.

#### 2019

- » The renewed Findeks Mobile App was made available for users.
- » The QR Code Cheque Score was introduced.
- » BRSA Product and Service Fees Portal went live.
- » "Retrospective CRS Inquiry" and "Provision of Risk Center Report via E-Government Gateway" were introduced on behalf of the TBB Risk Center.
- » Efforts to establish an RGD Center were initiated.
- » At the Sardis Awards, the QR Code Cheque System Project won the Golden Sardis, and the Electronic Letter of Guarantee Project won the Silver Sardis.
- » The Audio Question Bank Project won the Innovation Award at the TİSK Corporate Social Responsibility Awards. The project also won the Gold Award in the Social Responsibility Projects Communication category at the Istanbul Marketing Awards, and the Grand Prize as a company adding value to sustainable development goals.

## 06. OPERATIONAL INDICATORS

Boasting innovative products and services for the finance sector with an innovative approach, KKB attained successful operational results in 2019.

Key Operational Indicators	2015	2016	2017	2018	2019
Individual Bureau Inquiries (Million Units)	432	421	445	488	553
Corporate Bureau Inquiries (Million Units)	24	18	30	40	54
Retail Credit Ratings (Million Units)	366	365	375	408	466
Monthly Inquiry Records (Million Units)	52	45	46	48	56
Objections on MIDES (Thousand Units)	303	267	288	205	219
LCS Inquiries (Million Units)	136	140	173	197	216
Produced Cheque Reports (Million Units)	21	30	45	47	46
Produced Risk Reports (Million Units)	11	13	15	17	15

### KKB Member Profile

**53** Banks + **15** Consumer Finance + **56** Factoring + **23** Leasing +

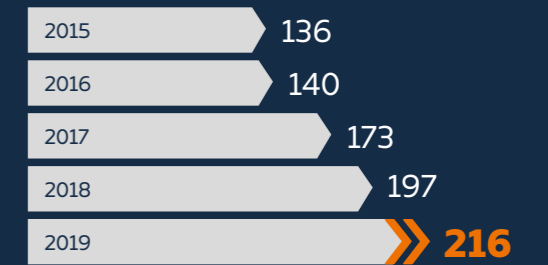
#### Individual Bureau Inquiries

(Million Units)



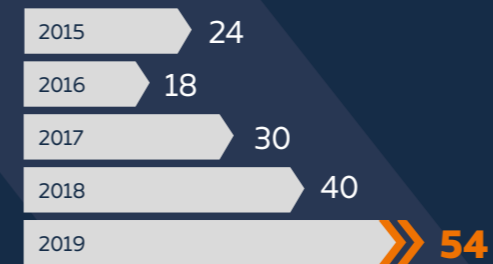
#### LCS Inquiries

(Million Units)



#### Corporate Bureau Inquiries

(Million Units)



#### Produced Cheque Reports

(Million Units)



#### Retail Credit Ratings

(Million Units)



#### Produced Risk Reports

(Million Units)



**9** Insurance + **4** Other + **21** Asset Management Companies = **181\*** Total Members

\*As of 31 December 2019, the number of KKB members is 165 and this figure identifies the members who are served through the Risk Center.

## 07. CORPORATE VALUES

The corporate values of KKB are predicated on teamwork, responsibility, reputation, and continuous development.



### Teamwork

Our greatest asset is human resources with their open communication, team spirit, shared goals, and devoted efforts.



### Reputation

We owe our reputation to our solid position in Turkey's economy, our trustworthiness, and our information security practices.



### Responsibility

We are responsible for providing our members and customers with accurate information, making economic and social contributions to our country, being fair to our employees, and focusing on employee satisfaction.



### Continuous Development

We are committed to the continuous development of our employees, products, service quality and technology infrastructure.



**Management**







## 08. LETTER FROM THE CHAIRMAN

In 2019, KKB continued to provide all industries - banking and finance in particular - with products and services that ensure effective management of financial risks.

Dear Stakeholders,

Economic policies and plans implemented in Turkey served as a buffer against market and exchange rate fluctuations, helping us attain a certain balance in the economy. With the economy picking up on growth in Q3 after shrinkage in the first half of the year, the steps taken to minimize economic fluctuations proved quite effective.

This positive outlook owes a lot to the policies adopted, and the roadmap and strategies developed by the finance sector. We think that this positive climate will prevail and the upward trend in growth will continue in 2020.

### **We stand by the banking and real sector**

Throughout 2019, we witnessed the impact of economic fluctuations in Turkey and around the world. However, we are coming back even stronger, propelled by the economic plans introduced, the financially solid structure of the banking system, the economic administration's experience in market fluctuations, and the strength of the Turkish real sector.

We are aware of our responsibilities in this period, and thus will continue to support the growing Turkish economy.

### **Committed to producing and contributing to our stakeholders at full speed**

In 2019, KKB continued to provide all industries - banking and finance in particular - with products and services that ensure effective management of financial risks. In 2020, we will continue to work on our innovative products and services, coming up with value-added solutions for our stakeholders, making investments, and creating added value.

I would like to congratulate all our employees - who have adapted to the changing dynamics of the period and kept up with the requirements of our age - for their achievements and express my gratitude for the esteemed members of the Board for their cooperation. I wish an even more successful in 2020 for our country and KKB.

Yours respectfully,

Veysel Sunman  
**Chairman of the Board**

## 09. LETTER FROM THE GENERAL MANAGER

In 2019, we maintained our innovative approach and continued to provide all industries with the products and services tailored to address the requirements of our era.

Dear Stakeholders,

At Kredi Kayıt Bürosu (KKB), we concluded yet another productive and successful year, marked by our intensive efforts and great progress. In the aftermath of a period of rapid change and transformation, we anticipate an uptick in Turkey's economy, which will fare in a more balanced manner.

In 2019, we maintained our innovative approach and continued to provide all industries with the products and services tailored to address the requirements of our era.

### 30 banks completed integration with the Electronic Letter of Guarantee Platform

We introduce novelties each passing day as part of our efforts to mitigate the risks and costs in the finance sector. Letters of guarantee, one of the most traditional, printed instruments of the banking sector, have now been digitized under the Electronic Letter of Guarantee project, which helped us usher in a new era in the banking sector. After letters of guarantee, which play a significant role in the finance and real sectors, were moved to the digital environment, the time and cost LG procedures require have been minimized and fraud risks eliminated. 30 banks completed integration with this system, an unprecedented practice in the world, with

letters of the guarantee being issued in the electronic environment, practically and securely.

### Findeks reached over 3 million customers in its 5<sup>th</sup> year

We have concluded the 5<sup>th</sup> year of Findeks, which we launched in 2014 to provide various financial follow-up and risk management tools to address the needs of individuals and the real sector. Tackling individual customers' and real sector's requirements in financial life, Findeks offers numerous innovative products and boasts over 3 million members in its 5<sup>th</sup> year. In 2019, we have also monitored digital trends and next-gen technologies closely and renewed the Findeks mobile application to provide a better user experience. This is how we have enabled users to follow up their financial life closely, and from a single screen.

### We have crowned our achievements with new awards

We are delighted to have garnered awards from various institutions and programs this year, owing to our products and services used extensively in the financial sector. Organized for the first time in 2019 to reward most innovative projects undertaken by banks, insurance companies, fintechs, and other financial institutions, the Sardis Awards deemed two projects of KKB worthy of awards

in the "Product and Service Innovation" category. In addition to the Golden Award presented to the "QR Code Cheque System," we have received the Silver Sardis Award with our "Electronic Letter of Guarantee" project.

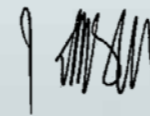
### The Audio Question Bank Project implemented by KKB Volunteers captured the limelight in Turkey

Designed as part of our volunteering program to support visually-impaired individuals in their preparations for university admission, the Audio Question Bank project was presented with awards at different platforms for the societal benefit it generated. In 2019, the Audio Question Bank project was deemed worthy of the Innovation Award at the Corporate Social Responsibility Awards held by the Turkish Confederation of Employers' Association. The Project also won the Gold Award in the Social Responsibility Projects Communication category at the Istanbul Marketing Awards. Furthermore, at the 11<sup>th</sup> edition of the contest organized to celebrate corporate contributions to sustainable development goals, the Audio Question Bank project was presented with the "Grand Prize" in the category of "Reduced Inequalities," the 10<sup>th</sup> sustainable development goal. I thank all my colleagues and stakeholders for their contributions to these projects and wish to enjoy many other achievements in the future.

### We will work to sustain secure trade activities with innovative products

We will continue to introduce innovative products and services in the coming period, and thus contribute to the growth of Turkey's economy and the dissemination of secure trade activities in the real sector.

I would like to thank our shareholders and members for their trust and support in our Institution; to our Board of Directors for the working meetings conducted effectively throughout the year, and for the power and support they have given us for the decisions taken, and to all our staff who continue to work hard across all our various functions and operations for their efforts.



Kasım Akdeniz  
Board Member and  
General Manager



## 10. BOARD OF DIRECTORS

### Veysel Sunman

Chairman of the Board of Directors and Audit Committee Member  
T.C. Ziraat Bankası A.Ş.

Head, Credit Risk Monitoring Department

Veysel Sunman was born in Sakarya in 1967 and graduated from Marmara University, College of Press and Media, Department of Journalism and Public Relations. He worked as a Specialist in the Credit Risk Monitoring Department at Pamukbank T.A.Ş. from 1988 to 1994. Mr. Sunman went on to work as Director-Manager of the Credit Monitoring Department at Osmanlı Bankası A.Ş. between 1994 and 2001. Subsequently, he served as the Head of the Credit Risk Monitoring Department at T. Halk Bankası A.Ş. from 2002 until 2005 and as the Head of the Internal Control and Monitoring Center at MNG Bank from 2005 to 2007. Sunman has been serving as Ziraat Bankası A.Ş. Head of the Credit Risk Monitoring Department since 2007. Mr. Sunman has been serving as the Chairman of the KKB Board of Directors since March 2019.

### Arif Çokçetin

Deputy Chairman of the Board of Directors

Türkiye Vakıflar Bankası T.A.O.

Director, Assessment and Rating Department

Arif Çokçetin was born in 1975 in Istanbul. He completed his primary and secondary school education in Istanbul and then graduated from the Ankara Finance Vocational School, Ministry of Finance, in 1992. Çokçetin started his mandatory service as an officer at the Ministry the same year. Again in 1992, he enrolled in the Department of Finance at Istanbul University's Political Sciences Faculty, working, and studying at the same time for a period. After his graduation

in 1996, Mr. Çokçetin joined VakıfBank as Financial Analyst and went on to assume the roles of Branch Manager and Unit Manager. He has been serving the same Bank as Assessment and Rating Director since 2013. He also served Vakıf Faktoring A.Ş. as Board Member between 2013 and 2019.

### Ahmet Hakan Eken

Member of the Board of Directors and Audit Committee Member  
ŞEKERBANK T.A.Ş.

Assistant General Manager; Loans

A. Hakan Eken graduated from the Business Administration Department of Marmara University. He began his career in 1986 as Inspector at Yapı Kredi Bankası. At Yapı Kredi Bankası, he held senior managerial roles including Vice Chairman of the Inspection Board, Chairman of the Inspection Board at Yapı Kredi Moscow, Head of the Credit-Risk Management Department, and Assistant General Manager in charge of Loans at Yapı Kredi Leasing. Later, Mr. Eken served tourism and media groups as CFO and CEO. In September 2014, he joined Şekerbank T.A.Ş. Mr. Eken has been Assistant General Manager in charge of Credit Management at Şekerbank since December 2016. He is also a Board Member at Şeker Faktoring A.Ş.

### Mehmet Hakan Ataş

Member of the Board of Directors  
Türkiye Halk Bankası A.Ş.

Assistant General Manager

Head, Credit Risk Monitoring Department

Mehmet Hakan Ataş was born in Antakya in 1969. He graduated from the Business Administration Department at Ankara University's Political Sciences Faculty. He began his professional life in 1999 at the Kızılcahamam Branch of Halk Bankası, where he assumed senior positions at the

Internal Control Department, Risk Follow-up and Liquidation Department, Retail Credits Department, Commercial Branch Directorate, and Credit Processes and Company Analysis Department, respectively. Since December 2017, he has served as the Head of the Credit Risk Monitoring Department. Also serving Halk Leasing Finansal Kiralama A.Ş., Halk Portföy Yönetimi A.Ş., Halk Sigorta A.Ş., and Halk Faktoring A.Ş., Mr. Ataş is a Board Member at Kredi Kayıt Bürosu.

### Demir Karaaslan

Member of the Board of Directors and Audit Committee Member  
Yapı ve Kredi Bankası A.Ş.

Retail Credits, Assistant General Manager

Demir Karaaslan graduated from Marmara University, Department of Business Administration in 1999. He began his professional career as an Assistant at PricewaterhouseCoopers, working at the company between September 1999 and December 2004, lastly as Audit Manager. After starting to work at Koçbank A.Ş. in January 2005, he held the positions of Budget Planning Director and Head of the Planning and Control Department, respectively. Following the merger of Koçbank and Yapı ve Kredi Bankası in 2006, he served as Planning and Control Director until May 2011 and then as Planning and Control Group Director. He was appointed Assistant General Manager in charge of Retail Credits as of January 2016. During his career, Mr. Karaaslan served as a Statutory Auditor and Board Member at various subsidiaries of Yapı Kredi Bankası. Since March 2016, Mr. Karaaslan has been a Member of the KKB Board of Directors.



**BACK ROW (From Left to Right):** A. Hakan EKEN, Arif ÇOKÇETİN, Mehmet Hakan ATAŞ, Şahismail ŞİMŞEK, Şükrü Alper EKER, İzzet Oğuzhan ÖZARK, Demir KARAASLAN

**FRONT ROW (From Left to Right):** Veysel SUNMAN, Ege GÜLTEKİN, Kasım AKDENİZ

**Ege Gültekin**  
Member of the Board of Directors  
AKBANK T.A.Ş.

*Executive Vice President, Credit Monitoring and Follow Up*  
Ege Gültekin was born in Aydın in 1969 and graduated from Middle East Technical University, Department of Economics. Subsequently, she earned a Master's degree from the Johns Hopkins University Carey Business School. After graduating from Ziraat Bank's Banking School in 1992, she began her career at Osmanlı Bank on the Inspection Board. Mrs. Gültekin is currently Executive Vice President in charge of Credit Monitoring and Follow Up at Akbank T.A.Ş. She has been a member of the Board of Directors at KKB since May 2015.

**İzzet Oğuzhan Özark**  
Member of the Board of Directors  
Denizbank A.Ş.

*Assistant General Manager, Retail Banking*  
Oğuzhan Özark was born in İstanbul in 1976 and graduated from İstanbul Technical University, Department of Mathematics Engineering. He started his professional career in the Retail Banking Department at Garanti Bankası in 1997. He worked as Supervisor in the SME Banking Department of the same bank from 1999 to 2002 and in the CRM Department between 2003 and 2004. Starting to work at DenizBank as Manager of the SME Banking Sales Department in 2004, Mr. Özark served as Group Manager of Retail Banking Sales Management from 2009 until 2013 and was appointed Assistant General Manager of the Retail Banking Sales Group in February 2014. Mr. Özark has served as a member of the Board of Directors at KKB since April 28, 2014.

**Şükrü Alper Eker**  
Member of the Board of Directors  
T. Garanti Bankası A.Ş.

*Coordinator, Individual and SME Loans Risk Management*  
Şükrü Alper Eker was born in Eskişehir in 1973 and graduated from Boğaziçi University, Department of Chemical Engineering in 1996. He received his Master's degree from Texas A&M University – College Station in 1998, and his Ph.D. from the University of Houston in 2001. He started his professional career in 2001 at GE Global Research Center in

the United States as the System Control and Optimization Project Leader. After working on R&D projects for GE Energy, Medical Systems, and other GE companies, he moved over to Risk Management at GE Capital in 2005. Between 2005 and 2011, he served in various positions and levels at GE Capital in the US, Europe, and Turkey. He went on to work as Risk Director at Garanti Bankası-BBVA Representative Office between 2011 and 2015. Since September 2015, he has served as the Coordinator of Garanti Bankası Individual and SME Credits Risk Management Department. Since March 2016, he has been a member of the KKB Board of Directors.

**Şahismail Şimşek**  
Member of the Board of Directors  
T. İş Bankası A.Ş.

*Assistant General Manager; SME and Business Banking Sales Department, Commercial Banking Marketing Department and Commercial Banking Product Department*  
Şahismail Şimşek was born in Erzurum in 1968 and graduated from Ankara University, Faculty of Political Sciences, Department of Finance. Mr. Şimşek started his career as Officer at the Yenışehir/Ankara branch in 1992. Between 1995 and 2007, he worked in the Sultanhamam Branch as, respectively, Service Officer, Deputy Manager and Assistant Manager. Between 2007 and 2012, he assumed the roles of Assistant Manager and Unit Manager in the Commercial Banking Product Management Department and Branch Manager at the Avcılar Commercial Branch from 2012 to 2016. Having served as Commercial Banking Sales Department Manager since 2016, Şahismail Şimşek was appointed Assistant General Manager on November 28, 2017. Since March 2018, Mr. Şimşek has been a Member of the KKB Board of Directors.

**Kasım Akdeniz**  
Board Member and General Manager

Having about 33 years of experience in the banking industry, Kasım Akdeniz started his professional career at Yapı Kredi on the Inspection Board in 1987. Between 1996 and 2011, he held managerial responsibilities, working as a manager, director, and group president primarily for the generation of credit products and processes, establishment

and management of the credit allocation and monitoring systems, formulation of credit policies as well as compliance. During this period, he served as a Member of working groups within the Banks Association of Turkey in regards to the preparation of the Banking Law and its sub-regulations, and within KKB in regards to the establishment of the Corporate Bureau, Intermediary Costs on Credits, and Credits and Provisions. He also served as the Chairman of the Credit Guarantee Fund (CGF) Working Group and the Risk Center Working Group. In 2007, he was the Chairman of the Board of Directors of KKB Kredi Kayıt Bürosu A.Ş. and a Board Member between 2005 and 2011. Kasım Akdeniz was appointed General Manager of KKB Kredi Kayıt Bürosu A.Ş. as of October 2011; he continues to hold this position.

# 11. SENIOR MANAGEMENT



**Kasım Akdeniz**



**Abdullah Bilgin**



**Koray Kaya**



**İnci Tümay Özmen**



**Orkun Deniz**



**Ali Kemal Cenk**



**Serdar Çolak**



**Hakan Gümüş**



**Erşan Rasim Hoşrik**



**Hazar Tuna**

**Kasım Akdeniz**  
**Board Member and General Manager**

Having about 33 years of experience in the banking industry, Kasım Akdeniz started his professional career at Yapı Kredi on the Inspection Board in 1987. Between 1996 and 2011, he held managerial responsibilities, working as a manager, director, and group president primarily for the generation of credit products and processes, establishment and management of the credit allocation and monitoring systems, formulation of credit policies as well as compliance. During this period, he served as a Member of working groups within the Banks Association of Turkey in regards to the preparation of the Banking Law and its sub-regulations, and within KKB in regards to the establishment of the Corporate Bureau, Intermediary Costs on Credits, and Credits and Provisions. He also served as the Chairman of the Credit Guarantee Fund (CGF) Working Group and the Risk Center Working Group. In 2007, he was the Chairman of the Board of Directors of KKB Kredi Kayıt Bürosu A.Ş. and a Board Member between 2005 and 2011. Kasım Akdeniz was appointed General Manager of KKB Kredi Kayıt Bürosu A.Ş. as of October 2011; he continues to hold this position.

**Abdullah Bilgin**  
**Information Technologies and R&D Department**  
**Assistant General Manager**

Abdullah Bilgin has 34 years of professional experience. He graduated from Middle East Technical University, Department of Computer Engineering in 1985. Mr. Bilgin received his Master's degree from Istanbul University, Department of International Relations in 2002. Starting his career at Bilpa A.Ş. in 1986, Mr. Bilgin later worked as System Manager at John Deere in the USA. Subsequently, he served as Director in charge of System and Network Management in the Information Technologies Department at Yapı Kredi Bankası and as Group Manager of Self-Service Banking in the Alternative Distribution Channels Department until 2012. Abdullah Bilgin, who has served as Assistant General Manager in charge of Information Technologies and R&D at KKB since November 2012, manages KKB's efforts related to digital transformation as well as the activities of the KKB Anadolu Data Center.

**Koray Kaya**  
**Marketing and Business Development Department**  
**Assistant General Manager**

Koray Kaya has 24 years of experience in the banking industry. He graduated from Yıldız Technical University, Faculty of Engineering, Department of Civil Engineering. After completing his MBA studies in the United States between 1991 and 1994, Mr. Kaya started his career at Garanti Bankası in 1995. He played a key role in the establishment of one of the first personal credits scoring systems in Turkey. During his tenure at Garanti Bankası, Mr. Kaya designed credit automation systems for consumer credits, credit cards and small enterprise credit applications. In 2004, he started to work as a Consultant at Experian. Mr. Kaya went on to serve as a Consultant on projects pertaining to the automation of credit decisions at almost all banks in Turkey. He created the good/bad definition at the customer level used in the scorecard infrastructure of KKB. Subsequently, Mr. Kaya served as Director of the Personal Credits Allocation Department at TEB from 2005 until 2009. During that period, he pioneered the modernization of the personal credits approval platform of TEB in accordance with the current conditions at that time. After starting to work as Head of the Personal Credits Monitoring and Collection Department at Akbank in 2009, Mr. Kaya joined the Board of Directors at Kredi Kayıt Bürosu. He was appointed Head of the Personal Credits Allocation Department at the same organization in January 2012. Mr. Kaya has worked as Assistant General Manager in charge of Marketing and Business Development at KKB since May 2012.

**İnci Tümay Özmen**  
**Financial Reporting and Financial Affairs Department**  
**Assistant General Manager**

İnci Tümay Özmen has 24 years of professional experience. She graduated from Boğaziçi University, Department of Business Administration with a degree in 1995. She started her career at Ernst & Young Denetim in 1995. İnci Özmen was involved in the audit services of many financial institutions while she worked at Ernst&Young. Having obtained the title of Certified Public Accountant in 2000, she left Ernst&Young as Manager. Ms. Kesici worked as Assistant General Manager in charge of Financial Affairs, Budget Reporting and Operations at Yapı Kredi Leasing from 2000 to 2012. She played an active role in the

adaptation process of the Leasing BRSA and Koçbank-YKB merger. İnci Tümay Özmen joined KKB in May 2012, and she has served as Assistant General Manager of Financial Reporting and Financial Affairs since October 2014. İnci Tümay Özmen was authorized as Independent Auditor in 2017 by the Public Oversight, Accounting and Auditing Standards Authority.

**Orkun Deniz**  
**Risk Center Coordination Department**  
**Assistant General Manager**

Orkun Deniz graduated from Boğaziçi University, Department of Computer Engineering in 1995. He continued his academic studies at Yeditepe University, first receiving his MBA and later his doctorate in Management and Organization. He started his professional career at Akbank as a Software Developer in the IT Department. He was among the founding team of Kredi Kayıt Bürosu, which he joined in 1997; he played an active role during the launch of Turkey's first credit bureau system. Mr. Deniz designed the Corporate Bureau System – which was established by the KKB, entirely with its resources – and managed the development process. He continued his career at Fortis Bank, serving as Director in charge of System Development, Reporting, Credit Policies and Rating in the Corporate Credits Department. He held several roles during the transformation process of KKB, which he rejoined at the beginning of 2011. Primarily, Mr. Deniz ensured the expansion of the product portfolio of KKB by developing new products and services as the Manager of Project and Process Management. Later, he directed all financial sector relations as the Manager of the Banks and Financial Institutions Unit. Throughout his career of over 15 years at KKB, Mr. Deniz has provided consulting support for the attempts of many countries to establish credit bureaus. Since September 2016, Mr. Deniz has served as the Assistant General Manager in charge of Risk Center Coordination.

**Ali Kemal Cenk**  
**Internal Audit Department**  
**Assistant General Manager**

Ali Kemal Cenk has 19 years of professional experience. He graduated from Middle East Technical University, Department of Business Administration. Between 2000 and 2012, Mr. Cenk held various positions at the Banking Regulation and Supervision Agency, including Sworn-in Bank Auditor, Group Head, 2011 FSAP Negotiations Coordinator, and Vice President of the Audit Department. He took key roles in the Working Group for the Risk-Focused Supervision Project, through which the BRSA has reestablished its audit system. He also took part in a one-month program geared towards the Risk-Focused Supervision Project involving Federal Reserve audits and carried out FDIC-related studies. Mr. Cenk earned a dual MBA/MSF degree from Boston College between 2007 and 2009. In addition to BRSA audits concerning a range of legal issues, internal systems, and information management, he also conducted various audits in the Netherlands and Germany. Mr. Cenk attended a series of training courses on Risk Management, Basel II-III, internal control, and banking in the USA; he also participated in training courses and has certificates of completion on COBIT, TFRS, International Accounting Standards, Oliver Wyman Risk Management, and European Central Bank Eurosystem Macro-Micro Financial Audit. Mr. Cenk has been serving as Assistant General Manager of Internal Audit since April 2012.

**Serdar Çolak**  
**Risk Management Department**  
**Director**

Serdar Çolak has 14 years of professional experience. He graduated from Robert College and Istanbul Technical University and the State University of New York, Department of Economics, respectively, as the highest-ranking student. He received his Master's degree from Boğaziçi University, Department of Management Information Systems. Mr. Çolak started his professional career as an SAP Consultant in New York and after gaining experience there, he went on to work in the Istanbul office of PwC Turkey. In the Istanbul office of PwC Turkey, he served as Manager of the Risk, Process and Technology Services Department. Having broad experience in the finance industry, Mr. Çolak's areas of expertise include corporate risk management, information systems governance, information security, business continuity, SOX IT, organizational and process structuring of companies in the finance sector, and Banking Regulation and Supervision Agency information systems audits. At PwC

Turkey, Mr. Çolak also served as Manager in charge of teams engaged in projects involving audit and consultancy services at various financial institutions such as banks, insurance providers, leasing companies, and capital market intermediary firms. He submitted reports to the BRSA as an independent auditor in charge of BRSA information systems audits conducted at many banks and their participation in Turkey, Germany, Greece, and Portugal. Having the titles of Certified Information Systems Auditor (CISA), Certified Internal Control Professional (CICP), ISO 27001 Information Security Management System and ISO 22301 Business Continuity Management System Chief Auditor, Mr. Çolak has served as Risk Management Manager at Kredi Kayıt Bürosu since April 2014. He is the Senior Management Representative in charge of the Information Security, Corporate Risk Management and Process Management teams. Under the direction of Mr. Çolak, the KKB Information Security team was named "Security Team of the Year" in Europe, the Middle East and Africa at the FireEye Excellence Awards in 2018. This was the first time a Turkish team received the award.

**Hakan Gümüş**  
**Human Resources Department**  
**Manager**

Having about 27 years of business experience, Hakan Gümüş graduated from Hacettepe University, Department of Economics in 1989. Mr. Gümüş started his professional career in 1991 as Assistant Inspector at Akbank T.A.Ş., where he later served as Inspector, Deputy Human Resources Manager, Eskişehir and Istanbul Regional Manager, SME Banking Sales Manager, Head of the Marketing Department and Human Resources Career Manager. After leaving Akbank in October 2012, he worked as Human Resources Manager for four years at Türkiye Finans Katılım Bankası. Hakan Gümüş joined KKB as Human Resources Manager in October 2016 and continues to serve in this position.

**Erşan Rasim Hoşrik**  
**Regulatory Compliance, Legal and Operations**  
**Department Manager**

Erşan Rasim Hoşrik started his professional career in 2006 as Assistant Inspector at Yapı Kredi Bankası; he went on to hold various positions in the Branch Audit, Headquarters Audit, and Investigation units at Yapı Kredi Bankası. After resigning from his post with the Inspection Board in 2012, he worked in the Compliance Office as Financial Crimes Prevention Manager and Banking Legislation Manager, respectively. During his tenure in the Compliance Office, he was involved in coordinating the supervision of the Banking Regulation and Supervision Agency and the Ministry of Customs and Trade. In addition, Mr. Hoşrik served as representative in the working groups of the Banks Association of Turkey. He also participated in studies to prepare regulations related to the banking of the Consumer Protection Law. Having joined KKB in June 2016, Erşan Hoşrik works as Manager of the Regulatory Compliance, Legal and Operations Department.

**Hazar Tuna**  
**Internal Control Department**  
**Manager**

Hazar Tuna has 14 years of professional experience. After completing his studies at Uskudar American High School, he graduated from Purdue University, Department of Computer Engineering in 2005. He completed his Executive MBA at Boğaziçi University in 2012. Mr. Tuna started his career in the Corporate Risk Services Department at Deloitte Denetim in 2006. He took part in independent information systems audits at banks and information systems risk assurance and Sarbanes-Oxley audit-related work in the real sector. Mr. Tuna continued his career in the Information Technologies Audit Department at Yapı Kredi Bankası from 2008 to 2013. In addition, he conducted pilot installation work of the audit workflow software program, which was designed for use within the entire UniCredit Group, playing a key role in shaping the final version thereof. Having served as the Certified Information Systems Auditor (CISA), Certified Internal Control Professional (CICP), ISO 27001 Information Security Management System and ISO 22301 Business Continuity Management System Chief Auditor, Mr. Tuna has been the Internal Control Manager at KKB since April 2013.

## 12. MEMBERS

Member Type	2014	2015	2016	2017	2018	2019
Banks	42	53	52	52	52	53
Factoring	76	69	62	61	59	56
Leasing	20	29	26	25	24	23
Consumer Finance	12	12	14	14	14	15
Asset Management Company	-	12	15	13	18	21
Insurance and Other	4	10	11	12	13	13
<b>Total</b>	<b>154</b>	<b>185</b>	<b>180</b>	<b>177</b>	<b>180</b>	<b>181'</b>

\*As of 31 December 2019, the number of KKB members is 165 and this figure identifies the members who are served through the Risk Center.

### Member Banks

ADABANK A.Ş.
AKBANK T.A.Ş.
AKTİF YATIRIM BANKASI A.Ş.
ALBARAKA TÜRK KATILIM BANKASI A.Ş.
ALTERNATİF BANK A.Ş.
ANADOLUBANK A.Ş.
ARAP TÜRK BANKASI A.Ş.
BANK MELLAT
BANK OF CHINA TURKEY A.Ş.
BANKPOZİTİF KREDİ VE KALKINMA BANKASI A.Ş.
BİRLEŞİK FON BANKASI A.Ş.
BURGAN BANK A.Ş.
CITIBANK A.Ş.
DENİZBANK A.Ş.
DEUTSCHE BANK A.Ş.
DİLER YATIRIM BANK A.Ş.
FİBABANKA A.Ş.
GSD YATIRIM BANKASI A.Ş.
HABİB BANK LIMITED
HSBC BANK A.Ş.
ICBC TURKEY BANK A.Ş.
ING BANK A.Ş.
INTESA SANPAOLO S.P.A. İTALYA İSTANBUL MERKEZ ŞUBESİ
İLLER BANKASI A.Ş.
İSTANBULTAKAS VE SAKLAMA BANKASI A.Ş.
JPMORGAN CHASE BANK
KUVEYT TÜRK KATILIM BANKASI A.Ş.
MERRILL LYNCH YATIRIM BANK A.Ş.
MUFG BANK TURKEY A.Ş.
NUROL YATIRIM BANKASI A.Ş.
ODEA BANK A.Ş.
PASHA YATIRIM BANKASI A.Ş.
QNB FİNANSBANK A.Ş.
RABOBANK A.Ş.
SOCIETE GENERALE
STANDARD CHARTERED YATIRIM BANKASI TÜRK A.Ş.
ŞEKERBANK T.A.Ş.
T.C. ZİRAAT BANKASI A.Ş.
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

TURKISH BANK A.Ş.
TURKLAND BANK A.Ş.
TÜRK EKONOMİ BANKASI A.Ş.
TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.
TÜRKİYE GARANTİ BANKASI A.Ş.
TÜRKİYE HALK BANKASI A.Ş.
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
TÜRKİYE İŞ BANKASI A.Ş.
TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
TÜRKİYE VAKIFLAR BANKASI T.A.O.
VAKIF KATILIM BANKASI A.Ş.
YAPI VE KREDİ BANKASI A.Ş.
ZİRAAT KATILIM BANKASI A.Ş.

### Leasing Companies

A&T FİNANSAL KİRALAMA A.Ş.
AK FİNANSAL KİRALAMA A.Ş.
ALTERNATİF FİNANSAL KİRALAMA A.Ş.
ANADOLU FİNANSAL KİRALAMA A.Ş.
ARI FİNANSAL KİRALAMA A.Ş.
BNP PARIBAS FİNANSAL KİRALAMA A.Ş.
BURGAN FİNANSAL KİRALAMA A.Ş.
DE LAGE LANDEN FİNANSAL KİRALAMA A.Ş.
DENİZ FİNANSAL KİRALAMA A.Ş.
GARANTİ FİNANSAL KİRALAMA A.Ş.
HALİÇ FİNANSAL KİRALAMA A.Ş.
HALK FİNANSAL KİRALAMA A.Ş.
ING FİNANSAL KİRALAMA A.Ş.
İŞ FİNANSAL KİRALAMA A.Ş.
MERCEDES BENZ FİNANSAL KİRALAMA TÜRK A.Ş.
PERVİN FİNANSAL KİRALAMA A.Ş.
QNB FİNANS FİNANSAL KİRALAMA A.Ş.
SIEMENS FİNANSAL KİRALAMA A.Ş.
ŞEKER FİNANSAL KİRALAMA A.Ş.
VAKIF FİNANSAL KİRALAMA A.Ş.
VFS FİNANSAL KİRALAMA A.Ş.
YAPI KREDİ FİNANSAL KİRALAMA ANONİM ORTAKLIĞI
YATIRIM FİNANSAL KİRALAMA A.Ş.

### Factoring Companies

ABC FAKTORİNG A.Ş.
ACAR FAKTORİNG A.Ş.
AK FAKTORİNG A.Ş.
AKDENİZ FAKTORİNG A.Ş.
AKIN FAKTORİNG A.Ş.
ANADOLU FAKTORİNG HİZMETLERİ A.Ş.
ARENA FAKTORİNG A.Ş.
ATAK FAKTORİNG A.Ş.
ATILIM FAKTORİNG A.Ş.
BAŞER FAKTORİNG A.Ş.
BAYRAMOĞLU FAKTORİNG A.Ş.
C FAKTORİNG A.Ş.
CREDITWEST FAKTORİNG A.Ş.
ÇAĞDAŞ FİNANS FAKTORİNG HİZMETLERİ A.Ş.
ÇÖZÜM FAKTORİNG A.Ş.
DENİZ FAKTORİNG A.Ş.
DESTEK FAKTORİNG A.Ş.
DEVİR FAKTORİNG HİZMETLERİ A.Ş.
DOĞA FAKTORİNG HİZMETLERİ A.Ş.
DORUK FAKTORİNG A.Ş.
EKO FAKTORİNG A.Ş.
EKSPO FAKTORİNG A.Ş.
FİBA FAKTORİNG A.Ş.
GARANTİ FAKTORİNG A.Ş.
GLOBAL FAKTORİNG HİZMETLERİ A.Ş.
GSD FAKTORİNG A.Ş.
HALK FAKTORİNG A.Ş.
HUZUR FAKTORİNG A.Ş.
ING FAKTORİNG A.Ş.
İSTANBUL FAKTORİNG A.Ş.
İŞ FAKTORİNG FİNANSMAN HİZMETLERİ A.Ş.
KAPİTAL FAKTORİNG A.Ş.
KENT FAKTORİNG A.Ş.
KREDİ FİNANS FAKTORİNG HİZMETLERİ A.Ş.
LİDER FAKTORİNG A.Ş.
MERT FİNANS FAKTORİNG HİZMETLERİ A.Ş.
MNG FAKTORİNG HİZMETLERİ A.Ş.
OPTİMA FAKTORİNG A.Ş.
PAMUK FAKTORİNG A.Ş.
PARA FİNANS FAKTORİNG HİZMETLERİ A.Ş.
QNB FİNANS FAKTORİNG A.Ş.
SARDES FAKTORİNG A.Ş.
SÜMER FAKTORİNG A.Ş.
ŞEKER FAKTORİNG A.Ş.
ŞİRİNOĞLU FAKTORİNG A.Ş.
TAM FAKTORİNG A.Ş.
TEB FAKTORİNG A.Ş.
TRADEWIND FAKTORİNG A.Ş.
TUNA FAKTORİNG A.Ş.
ULUSAL FAKTORİNG HİZMETLERİ A.Ş.
VAKIF FAKTORİNG A.Ş.
VDF FAKTORİNG A.Ş.
YAPI KREDİ FAKTORİNG A.Ş.
YAŞAR FAKTORİNG A.Ş.
YEDİTEPE FAKTORİNG A.Ş.
ZORLU FAKTORİNG A.Ş.

### Consumer Finance Companies

ALJ FİNANSMAN A.Ş.
DORUK FİNANSMAN A.Ş.
EVKUR FİNANSMAN A.Ş.
HEMENAL FİNANSMAN A.Ş.
KOÇ FIAT KREDİ FİNANSMAN A.Ş.
KOÇ FİNANSMAN A.Ş.
MERCEDES BENZ FİNANSMAN TÜRK A.Ş.
ORFİN FİNANSMAN A.Ş.
ŞEKER FİNANSMAN A.Ş.
TEB FİNANSMAN A.Ş.
TIRSAN FİNANSMAN A.Ş.
TURKCELL FİNANSMAN A.Ş.
TÜRK FİNANSMAN A.Ş.
VFS FİNANSMAN A.Ş.
VOLKSWAGEN DOĞUŞ FİNANSMAN A.Ş.

### Insurance Companies

AKSİGORTA A.Ş.
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS MERKEZİ İSPANYA TÜRKİYE İSTANBUL ŞUBESİ
COFACE SİGORTA A.Ş.
EULER HERMES SİGORTA A.Ş.
EUREKO SİGORTA A.Ş.
HALK SİGORTA A.Ş.
UNICO SİGORTA A.Ş.
ZİRAAT SİGORTA A.Ş.

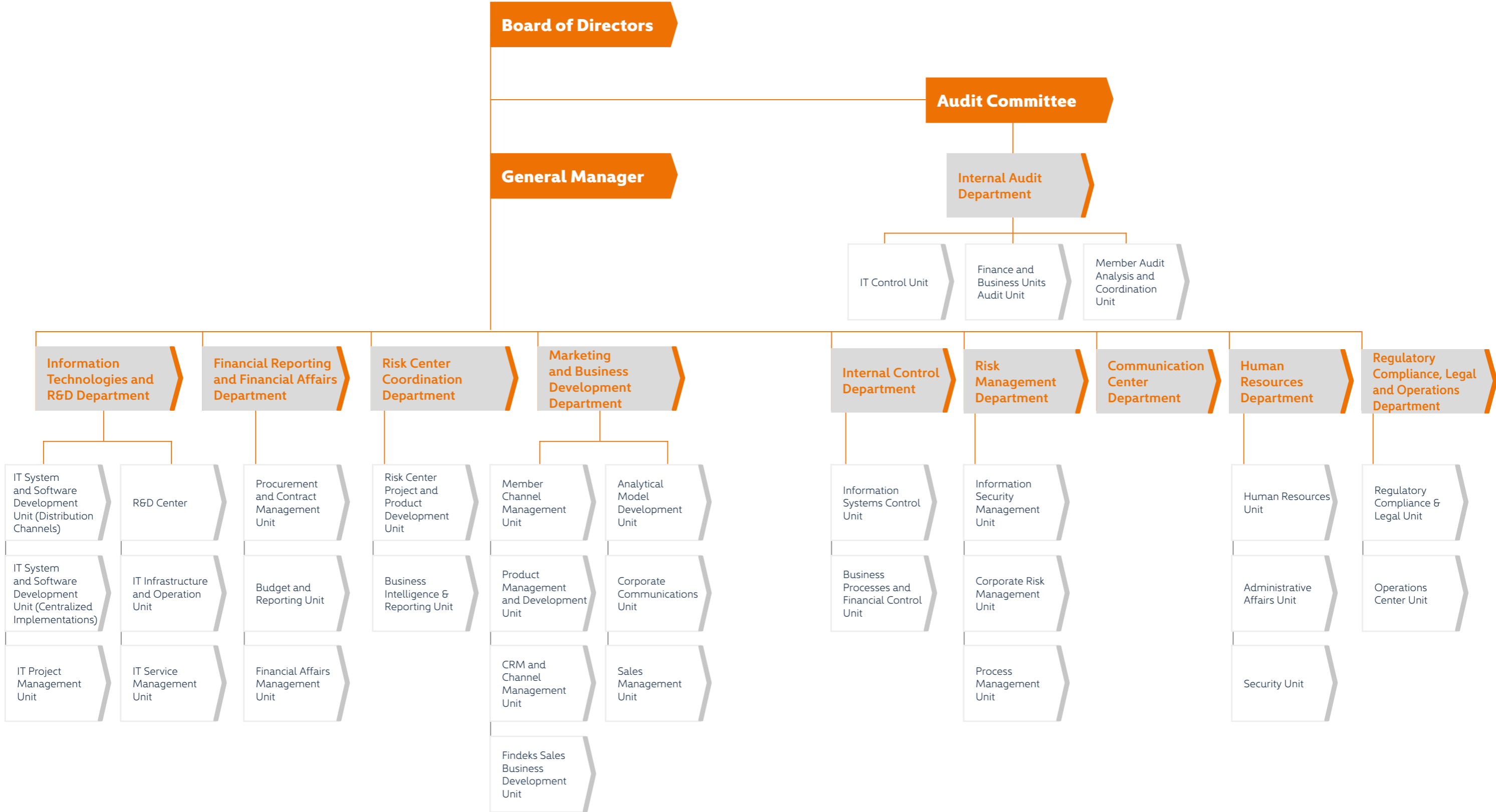
### Asset Management Companies

ADİL VARLIK YÖNETİM A.Ş.
ARMADA VARLIK YÖNETİM A.Ş.
ARSAN VARLIK YÖNETİM A.Ş.
BİRİKİM VARLIK YÖNETİM A.Ş.
BİRLEŞİM VARLIK YÖNETİM A.Ş.
BOĞAZIÇI VARLIK YÖNETİM A.Ş.
DENGE VARLIK YÖNETİM A.Ş.
DEREN VARLIK YÖNETİM A.Ş.
DOĞRU VARLIK YÖNETİM A.Ş.
EFES VARLIK YÖNETİMİ A.Ş.
EMİR VARLIK YÖNETİM A.Ş.
GELECEK VARLIK YÖNETİM A.Ş.
HAYAT VARLIK YÖNETİM A.Ş.
HEDEF VARLIK YÖNETİM A.Ş.
İSTANBUL VARLIK YÖNETİM A.Ş.
MEGA VARLIK YÖNETİM A.Ş.
METAL VARLIK YÖNETİM A.Ş.
MET-AY VARLIK YÖNETİM A.Ş.
SÜMER VARLIK YÖNETİM A.Ş.
VERA VARLIK YÖNETİM A.Ş.
YUNUS VARLIK YÖNETİM A.Ş.

### Other

BORSA İSTANBUL A.Ş.
KREDİ GARANTİ FONU A.Ş.
JCR AVRASYA DERECELENDİRME A.Ş.
TÜRKİYE TARIM KREDİ KOOPERATİFLERİ MERKEZ BİRLİĞİ

# 13. ORGANIZATIONAL CHART



**Business Units**



## 14. BUSINESS UNITS

IT System and Software Development Unit is in charge of software development activities under the umbrella of the Information Technologies and R&D Department.

### INFORMATION TECHNOLOGIES AND R&D DEPARTMENT

#### IT System and Software Development Unit

Operating under the Information Technologies and R&D Department, the IT System and Software Development Unit is in charge of software development activities and handles the incoming business requests within the institution considering the technological aspects thereof.

At the unit, there are nine teams with separate fields of responsibility. The unit also takes part in infrastructure and architectural improvement projects (Power Designer, Audit Trail, NexusIQ, Fortify, SonarQube), while increasing the level of quality, security, and continuity across the institution, and contributing to effective business impact analyses.

#### IT Basic Bureau Applications

This unit, which is responsible for LCS (Limit Control System) and score software, as well as Bureau Applications - KKB's main operational area - continued working to meet industry needs while maintaining the continuity and sustainability of service levels in 2019. The infrastructure of the Individual Bureau (CRS), Corporate Bureau (CBS) and Limit Control (LCS) systems was modernized. As for the inquiries, members conduct over the line on these systems, use of SNA

connection model was ceased, and the transition to TCP-IP socket model, providing higher security thanks to Tokens and Passwords, was completed. Along with banks, consumer finance, leasing and factoring organizations, asset management companies were also allowed to post notifications on the Corporate Bureau System. Changes are currently being made to allow re-structuring sites to post notifications as part of Individual Bureau Daily Notifications. On the Corporate Bureau System, the Customer Objections Handling System (MIDES) was deployed for the notifications of asset management companies. Emergency Update efforts for asset management companies are also ongoing. On the Individual Bureau System, a feature was introduced to allow organizations to receive retrospective CRS credit information via the web service.

#### IT Data Warehouse and Business Intelligence Practices

The team is in charge of analytics and reporting activities. Under the "Dataset Linking" project conducted in 2019, a datamart was created where different types of data retained at the institution (CRS, CRM, Cheque, Bill, Combined, LCS, Inquiries, etc.) could be linked by going to their historical records. The platform now enables access to individual or organizational product usage and inquiries. This has also enabled strategic decisions to be taken and analytical studies conducted faster.

Reporting of new datasets, such as CBS and Cheque Information, via the OBI Reporting Platform to CBRT, was initiated.

#### IT Risk Center Practices

The team's core responsibility is software development activities for the Risk Center (RC) products. In 2019, it deployed an infrastructure capable of prompt data notification and verification, as an alternative for data collection via file transfers from the members of the Risk Center. During the year,

two types of data were collected through the use of this infrastructure. This is how issues and delays that may be encountered at the time of file transfers were prevented. The aim is to include new types of data in the scope of this infrastructure in the coming periods.

The project aimed at the submittal of reports on "Credit Limit and Debt Status" and "Cheque Information" via the e-state gateway was completed in a short span of time. Individuals were also allowed to access reports produced in the electronic environment.

#### IT Access and Payment Applications

The team mainly conducts activities related to Risk Center services. It also introduces developments for KKB's Payment Systems and Findeks accounting infrastructure and undertakes efforts to prevent fraud.

In addition to managing Risk Center infrastructures, the team is also responsible for providing the authentication and authorization infrastructure to ensure sign-in on applications via a single point.

The unit continued to address maintenance requests and develop applications in the light of new technologies throughout 2019. Pioneering infrastructure activities conducted by the team on React JS expedited the works of other IT teams, as well.

The Phase 2 activities for the Risk Center Management System Application, i.e. the central management point for Risk Center applications and its members, have been completed in 2019.

The structure allowing the inquiries of audit trail logs, which are now being collected by the institution, has been deployed in 2019. Consequently, all transaction flows on KKB can now be inquired on the front ends.

**Findeks software team renewed the mobile app with new infrastructure and services, contributing to the Findeks New Mobile project.**

Fraud Attempts Detection System, which also started to be developed in 2019, is aimed at providing a flexible reporting platform that can be used by the follow-up and monitoring functions of the control units.

#### IT Decision Support Team

IT Decision Support Team is in charge of software development and maintenance activities related to KKB applications and ERP systems. The team finalized the Electronic Letter of Guarantee project, aimed at moving the guarantee letters issued by banks to the electronic environment, and completed the integration with public institutions. The system will help follow guarantee letters issued for the public and private sectors end to end.

Also in 2019, E-Cheque and E-Bond projects were initiated to reshape the future of trade. Project evaluation efforts are ongoing.

#### IT Findeks and Real Sector Applications

The Findeks software team mainly worked to contribute to the Findeks New Mobile Project in 2019. The mobile app was revamped with a completely new infrastructure and services. Thanks to the Findeks integration with electronic letters of guarantee, these letters are now provided via the Findeks application. Updates were made to the blacklists under the Forged Cheque Prevention project. Cheque Score was included in reports as a new set of financial information. Server, technology,



## 14. BUSINESS UNITS

### Website maintenance efforts at KKB were undertaken by the Digital Platforms Team in 2019.

Activities related to the transition to two-factor authentication for the Risk Center and KKB FTP applications were completed.

components, and security updates were made in the application. Bank services were renewed; new services were introduced to applications and made available for users.

#### **IT Digital Platforms**

The Digital Platforms Team continued to undertake maintenance works for all the websites of the institution. Developed in line with the high standards, goals and information security approach of the institution, the Content Management System was enhanced with new features and the Findeks website was renewed in visual and administrative terms.

The team also continued to serve the Association of Financial Institutions (FKB) and conduct development and maintenance activities for the Central Billing Registration System (MFKS). "MFKS Refactoring Project," which is of critical importance, was initiated.

Furthermore, in line with the request of the BRSA Financial Consumer Department, BRSA Product and Service Fees Portal was introduced to enable end-users to access information such as commissions charged to transactions performed on the website of BRSA.

#### **IT Mobile Technologies**

IT Mobile Technologies Team completed the renewal works for the Findeks Mobile app in 2019. Under this initiative, applications involving the latest technologies (React-Na-

tive, Spring) were developed to provide Findeks customers with faster, more reliable and quality services.

Activities related to the transition to two-factor authentication for the Risk Center and KKB FTP applications were completed. Risk Center/KKB differentiation works on the OBI Web application serving CBRT and BRSA were completed. Works were undertaken for the Working Management System and BIONET applications to consolidate and report sign-in/sign-out activities at KKB Head Office, KKB R&D Center and KKB Anadolu Data Center.

#### **IT Ankara Data Center Software**

Anadolu Data Center Software Team worked intensively to develop projects related to CBRT in 2019.

New functionalities, primarily including independent audit process, have been introduced to the "Systemic Risk Data Tracking System (SRDTS), a project launched in 2018 to enable CBRT to monitor the real sector companies' foreign exchange positions.

During the year, the "Single Data" project, which will have an impact on the entire finance sector and play a critical role for CBRT, was also initiated. Under the project, CBRT will be capable of managing the data collected on a single platform. The platform will also ensure that an infinite number of forms are dynamically defined and notifications on such forms

Works were initiated for the "Single Data" project in 2019, which will impact the entire finance sector by enabling data collected by the Turkish Central Bank (CBRT) to be managed on a single platform.

are validated and standardized prior to collection. The flexible structure offered has also minimized software dependencies, and new forms can now be defined or existing ones in their version structure updated without the need for software enhancements. Developed with latest technologies, the platform offers a wide range of capabilities, namely diversity of notification collection methods, standardization through the data lexicon structure, the rule engine enabling dynamic definition of validation rules without the need for technical know-how, and creation of analytical environments based on standardized data after data collection.

#### **IT Service Management Unit**

In the 2019 operating period, the availability reports of Risk Center and KKB products and services continued to be shared with related persons on a monthly basis; meanwhile, the same reports were shared on the Risk Center side for 15-days and weekly periods. The KKB product/service catalog was updated and new services started to be reported to the related units and the management. The product/service catalog updates made on the Risk Center side were concluded, mutually agreeing with TBB Risk Center. The availability reports continued to be shared through the updated product/service catalog.

A catalog for internal services was updated on the KKB side. The avail-

ability measurement and reporting of the Risk Center Member Audit Tracking System (MATS) are continued. On the infrastructure side, server availability reporting is monitored and forwarded on a daily basis to the relevant teams for necessary interventions. The monthly SLA report of the SAP service offered to TBB by Innova, and the monthly SLA report of the SAP service offered to TBB by KKB continued to be delivered to TBB Risk Center. In 2019, KKB Anadolu Data Center started the monthly transmissions of SLA performance reports, Energy Consumption Data and Cabin Logs to three different customers. The KKB Anadolu Data Center also continued to share the Service Bulletin, which is prepared with data received from the KKBYY application, with the related department managers via monthly reports. The Daily Service Quality Status Report is sent to the relevant teams at the end of each working day. As for the KKB and KKB Anadolu Data Center, the works are ongoing concerning the performance of the SLA measurements by third party firms and communication of the results with the companies.

#### **IT Project Management Unit**

The IT Project Management Unit supported the information technology projects as well as the needs of the entire KKB organization in 2019 through three different disciplines. Since the IT team commenced operations under the KKB Anadolu Data Center in 2018, the Unit has per-

formed job descriptions at KKB and KKB Anadolu Data Center locations pursuant to the principles of remote working.

The Unit contributes to the timely implementation of KKB's objectives at the right cost by developing a three-year IT Strategy Plan and updating it in line with KKB corporate strategies. The Unit plays an active role in IT governance, involving identification, definition and management of risks while providing a transparent and up-to-date flow of information.

#### **IT Project Management Office**

The main functions of the Office include ensuring alignment between IT and business unit goals, facilitating, and accelerating decision-making processes through adopting a data-driven approach, and increasing the visibility of IT activities. In 2019, the IT Project Management Office maintained its successful performance in line with corporate strategies and a value-oriented governance perspective. It conducted adaptation activities related to the project portfolio management tool and master planning tool to ensure the automation of portfolio and project management processes in line with international standards and methodologies.

Having been submitted to the IT Project Management Unit by business units, the scope of these projects has already been determined and their legal and regulatory compliance have been evaluated. The IT Project Management Unit then planned, implemented, and coordinated these projects in accordance with PMI methodology and KKB standards. The IT Project Management Unit, which focuses on the planning of all requests submitted by the business units in line with PMI methodology, successfully realized all of the projects it planned by the end of 2019.

The IT Project Office ensures that: all requests/projects carried out within KKB are handled according to a plan and prioritized correctly; resources are used appropriately and efficiently; a common language and methodology are used in all projects launched

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Mobile app test automation product was introduced to the test automation infrastructure to increase quality in the software development lifecycle.

KKB organized various training courses and workshops throughout the year to improve the maturity level of project management processes and ensure widespread use of current project management techniques and tools across the institution.

within the organization, and project performance measurements and lessons learned become part of the organizational memory.

It also organized training courses and workshops to increase the maturity of project management processes and encourage the widespread use of current project management techniques and tools.

### **IT Business Analysis and Test Management Unit**

The IT Business Analysis and Test Management Unit provided analysis and carried out testing in all project and software change requests submitted during 2019 by taking into consideration the current functional and technical business requirements; screen requirements and operations; their impact on other systems; authorization structure; information that needs to be accessed; target service level; performance criteria; domain controls in screen and web services; and data requirements.

To ensure service quality continuity and sustainability and to increase the quality of the software development lifecycle, the mobile app test automation product was included in the test automation infrastructure in 2019, enabling mobile application tests to be run automatically. Furthermore, a mobile device pool was established to help run mobile re-

gression tests on different devices. A separate testing environment was established in 2019 to ensure all test automation scenarios are run periodically and in a stable environment.

To this end, an automated and integrated system was prescribed throughout the entire SDLC, from analysis to the transition phase to the real environment. A test automation infrastructure was established for all actors in the SDLC to contribute. The applications are subjected to regression tests with an "end-to-end testing" perspective for all types of infrastructure, software, and configuration changes to achieve total quality.

A robot application for MFKS that runs on the real environment was designed in 2019 to ensure service continuity and help prompt monitoring of real environment interruptions. This application allowed relevant individuals to be promptly notified of interruptions in the MFKS system.

As for the alignment of test automation and ESC automation efforts, MFKS was chosen as a pilot product and its test automation scripts were run in the ESC automation flows. This is expected to bring along significant added value, including automation of the tests, reduced reliance on individuals, and faster opening times of services.

Thanks to the Analysis and Test Costs Template, all process costs of the projects conducted in 2019 were managed in a more transparent and systematic manner.

To ensure a more transparent and systemic method, all process costs of the projects were calculated using the Analysis and Test Cost Template in 2019. New processes were formulated for test automation, load tests and audit trail developments to guarantee effective use of resources in line with the principle of continuous development and improvement.

An external dependencies inventory was created by analyzing the risks and impacts of external dependencies posed by all the applications developed at KKB.

Throughout the year, presentations were made for employees to keep up with new technologies, products and trends and be prepared for the future.

### **IT Technology Architecture Management**

The IT Technology Architecture Management unit is in charge of applications, infrastructure, and data architecture. The Unit focuses on standardizing internal technology adoptions and correct positioning of new technologies.

The number of services defined on the API Management product reached 1,616, while the total API calls as of November 2019 reached 4,124,665,737. Since the increase in the number of calls was anticipated, the API Management product infrastructure was expanded in 2019. In the meanwhile, metrics of the API

Management product were collected and visualized, helping KKB monitor all the APIs. New IP control-related routines were added to the product to support KKB's security approach. Efforts related to the monitoring of system logs and ADMIN activities were completed. An API Development Lifecycle (ADLC) process was developed and aligned with corporate processes and standards.

Vulnerabilities caused by the dependencies on open sources used by KKB started to be monitored. Deployment of applications with vulnerabilities caused by dependencies on open sources was prevented. Furthermore, the entry of vulnerable applications dependent on open sources into corporate repositories was also prevented. At the beginning of 2020, quarantines will be imposed for such vulnerabilities.

The responsibility for SDLC management and execution products was handed over to the IT Technology Architecture Team. The team provided Risk Management with support on project management, software development, analysis, and testing processes.

Activities were undertaken to allow the IT Middleware team to monitor the WLS server, instances on the server, and the UP/RUN status of applications on these instances via the use of server APIs. Access. Logs of servers were visualized to enable

the IT Middleware team to monitor. This also provided support in terms of monitoring systemic issues and problems.

As part of KVKK (Personal Data Protection Law) activities, the Unit collaborated with the Risk Management team for visualization of links between the web service, applications, and data.

Three "IT Architecture Committee" meetings were held during the year. Through these meetings, the management was updated on the activities performed, new plans, and execution of technologies, while the senior management was also included in the process.

### **IT Infrastructure and Operation Unit**

#### **KKB Anadolu Data Center Studies**

KKB Anadolu Data Center, which was established by KKB to serve the financial sector, was awarded Tier IV certification – the highest level certification granted by Uptime Institute, a widely recognized global authority. Furthermore, the Facility (TCCF) certification process was also completed in 2019, with the highest certification level of Tier IV being granted to the Data Center. The leading institutions of the finance sector, including Garanti BBVA, VakıfBank, İş Bankası and BKM also started receive cabinet hosting services via KKB Anadolu Data Center, with the occupancy rate of the Data Center reaching 75%. Alongside hosting services, the Data Center conducts activities aimed at establishing a domestic cloud platform that guarantees all types of data remain within the borders of Turkey. Fraudnet, the first product aimed at fraud prevention, became operational for the banking sector in 2019.

Under the "Rendering of KKB Services Via the Emergency Center for an Entire Day" practice, which was repeated for the sixth time during the 2019 operating period, both the open systems and the mainframe environments were rerouted to the systems located at the Emergency Center (ESC) in Ankara. Thanks to the

## 14. BUSINESS UNITS

Efforts to establish a TOKEN infrastructure to ensure secure access for members using the KKB mainframe platform were finalized.

automation of relevant processes in 2019, all the systems running at the Istanbul Data Center were rerouted to the Ankara Emergency Center in less than one hour. On October 12, 2019, all KKB services were provided from ESC for an entire day, and all operations were conducted below the predefined RTO and RPO values.

### **System Infrastructure Management Works**

During the year, KKB finalized efforts to establish a TOKEN infrastructure to ensure secure access for members who receive services from KKB mainframe environments. SNA access to mainframe systems was entirely shut down, and transition to the next-gen access method, i.e. TCP/IP, was completed.

R&D efforts in the system infrastructure included the following:

- » An application was submitted to the Technology and Innovation Grant Programs Directorate (TEY-DEB) to establish an AI- and Machine Learning-based monitoring framework for the identification of system log and report anomalies.

On the side of open systems,

- » Active-Active infrastructure was established for Ankara-Istanbul applications.
- » Weblogic servers and Java version standardization were completed.
- » ECS infrastructure for the EBS environment was established.
- » SVC architecture was renewed.
- » Windows Operating Systems Modernization was finalized.

On the side of the network,

- » ACI infrastructure was established and interoperability with the previous backbone was attained.
- » The network infrastructure was designed for the new office.
- » All IT and infrastructure works were performed for the relocation operations of the locations.
- » KKB Varyap wireless network infrastructure was renewed.
- » Speech Analytics application was deployed.
- » Call Center PRI infrastructure was established in Ankara, and PRI redundancy was ensured.

On the side of Central IT operations,

- » Operation Orchestration and Server Automation platforms were updated.
- » UiPath was chosen for robotic automation (RPA); orchestrator and three robot installations were made.
- » Alpha Vendor SLA developments were completed and deployed.
- » AvailabilityGuard infrastructure was deployed.
- » User Unlock was automated.



## 14. BUSINESS UNITS

KKB reaches out to the financial sector via channels positioned under the Member Channel Management Unit, which plays a critical role in managing relations with the sector.

**Product Management and Development Unit manages the strategies for KKB products/services provided to address changing and evolving needs and expectations of the financial, public, and real sectors, as well as individuals.**

### MARKETING AND BUSINESS DEVELOPMENT DEPARTMENT

#### Member Channel Management Unit

Member Channel Management is responsible for managing KKB's relations with the financial sector. Believing in the importance of reaching out broadly in today's world and being always accessible, KKB reaches out to the financial sector via the channels positioned under the Member Channel Management unit.

The unit serves banks, consumer financing companies, factoring and financial leasing firms, asset management companies, Borsa Istanbul, Agricultural Credit Cooperative, and credit insurance companies that are members of the Risk Center. Member representatives are assigned to each institution and maintain one-to-one contact with the individual members. They ensure that these members are familiar with KKB and Risk Center services while guiding them to benefit from these service offerings in the best way possible.

In parallel with the rapid technological development and the widespread use of the Internet, KKB uses the website managed by the Member Channel Management team and specifically designed for members as information, notification, and feedback channel about the KKB and Risk Center products.

In addition to the management of the member relations, the unit regularly monitors the budget and the sales performance of products, while working to extend KKB and Risk Center services.

From the moment the membership process begins, Member Channel Management aims to stand by KKB members, whenever they are in need. The Unit forwards all kinds of feedback and suggestions obtained from the member base during one-on-one visits, working groups, and via the website that it maintains to the relevant teams. These efforts contribute to the development of new KKB products and services.

#### Product Management and Development Unit

Product Management and Development Unit establishes the strategies of the products/services offered by KKB in the light of the requirements and expectations of the financial, public, and real sectors, as well as individuals. The Unit monitors technology developments in parallel with these strategies, and performs necessary activities to improve existing products, and to design, launch, and manage new products.

**KKB and Findeks communication activities were performed continuously during 2019 through media plans implemented utilizing product and service introductory materials and communication strategies.**

Striving to create a trustworthy and transparent trade environment under KKB, the Product Management and Development Unit plays a key role in the development of Findeks products and services aimed at addressing the needs of its members in the public and finance sectors, as well as of real sector companies and individuals. The products, services and projects introduced by the Unit contributes to the digital transformation of Turkey's economic infrastructure. The Unit also contributes to individuals' and organizations' knowledge and awareness through internal and external training courses intended to increase financial literacy.

The team operates in five core areas: Product Management, Product Development, Process Management, Usability/Interaction Design, Training Design and Planning.

#### Corporate Communications Unit

The Corporate Communications Unit is responsible for creating, protecting, and maintaining the sustainability of the image and reputation of KKB and its sub-brands. To that end, the Unit conducts internal and external communication activities with marketing communication, media relations, reputation management, event and sponsorship management, media planning, marketing, and business development teams.

During the year, KKB and Findeks communication efforts included creating product and service promotion materials, conducting media planning in line with communication strategies, organizing sponsorship activities at sectoral events, and holding press meetings. Sponsorship activities were carried out within sector-specific events and press meetings were organized during the year. To boost staff motivation and loyalty, KKB formulated an internal communication strategy and conducted various trainings, activities, and events thereof throughout the year.

KKB continues to execute corporate social responsibility projects at full speed. In 2019, the sixth edition of the "You Imagine, We Realize" competition was completed. Activities were carried out to implement one of the shortlisted projects in the competition. KKB supported the active participation of KKB Volunteers in corporate social responsibility projects by helping to create a corporate volunteering program. Additionally, KKB supported the activities of internal social clubs that aim to bolster organizational culture; encouraged voluntary participation in social responsibility projects; and carried out CSR projects in collaboration with civil society organizations.

#### CRM and Channel Management Unit

Customer satisfaction is at the heart of the strategies developed by CRM and Channel Management Unit. The Unit operates with the aim of increasing the loyalty of existing customers while focusing on offering the right product to the right person at the right time and acquiring new customers. To this end, it continues to develop new communication channels and improve existing ones by monitoring technological developments and trends.

CRM and Channel Management Unit conducts works for:

- » Determining strategies for the presentation and dissemination of Findeks products on digital platforms;
- » Following technological developments, trends, and customer demands in line with these strategies, adaptation of identified needs to digital channels and follow-up thereof;
- » Developing, implementing, monitoring, and reporting effective customer and campaign management techniques by combining smart technologies with analytical approaches;
- » Improving performance using innovative digital publicity methods and following trends.

Throughout 2019, the Unit's focal point was providing Findeks campaign management activities, which included targeting and segmentation studies supported by analytical approaches. These campaigns were mainly offered through digital channels and digital marketing platforms. In addition to that, in 2019, the Unit continued campaign management practices and intensive studies to develop and improve channel infrastructure. It also focused on data warehouse projects that will lay the groundwork for analytical studies and achieved increased campaign efficiencies through renewals and new customer analyses.

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Sales and marketing activities for all Findeks products and services are conducted by the Sales Management Unit.

**Analytical Model Development Unit** gave further speed to its innovative efforts throughout 2019 and implemented infrastructure activities to enable the deployment of machine learning models.

The Unit renewed the web site, which is a promotional platform for the range of services specifically offered to KKB members. The upgrade turned the web site into a user portal. The Unit also initiated necessary works to create a communication database for KKB members, ensuring quick and effective communication.

In 2019, the technological infrastructure of Findeks.com was renewed in light of current user experience trends. Efforts regarding chatbot and real-time offers/pricing processes are ongoing to carry customer experience to higher levels in the coming period.

Quiz shows were organized on Findeks social media accounts to increase users' financial literacy. Developments in social media management were monitored, and processes were conducted to consolidate all monitoring activities and posts on a single platform.

### **Analytical Model Development Unit**

Established in 2013, the Analytical Model Development Unit's activities are focused on three areas: Statistical Model Development, Central Decision Support Systems and Fraud Prevention. In addition to ensuring the continuity of existing risk prediction (scoring) models, the Unit has built new models to respond to the needs and requests of KKB members. The Unit plans to introduce its various

applications – including the Personal Credit Rating, Personal Indebtedness Index, Cheque Score, Commercial Credit Rating, Personal Collection Score and Personal Inclination Score – to a wider audience. Giving further momentum to innovative activities, the Analytical Model Development Unit undertook infrastructure works to help deploy Machine Learning models in 2019.

In addition to banks and financial institutions, the Central Decision Support Systems applications were also made available to factoring companies and the real sector. As a result, decisions involving risks were made in a faster, more consistent, and more accurate manner. The team introduced Turkey's first fraud prevention system and focused on ensuring widespread use of this system in 2019. In an effort to maximize anti-fraud efforts, the Unit launched the "Loan Utilization Instant Sharing Service" (KAPS) and systems to detect online fraud via device IDs. The Fraud Information Exchange Platform, which will be launched in the coming period, is aimed at reinforcing cooperation between banks and financial institutions.

### **Sales Management Unit**

The Sales Management Unit conducts sales and marketing activities for all Findeks products offered to the real sector, banks, and insurance agent customers.

Playing a key role in higher financial literacy rates in Turkey, KKB utilizes the Findeks banking channel to provide direct support for organizations and individuals alike to raise their awareness of managing receivable risks.

The Sales Management Unit works to increase recognition of the Findeks brand, establish a culture of risk management in both real sector representatives and individuals, and to instill this culture in the end consumer. To effectuate this cultural change, the Unit contributes to the establishment of cooperation between the Findeks brand and member banks' branches and alternative distribution channels.

Aimed at achieving the strategic sales targets of Findeks, the Sales Management Unit provides access to the target audience of KKB products. The Unit uses distribution channels of member banks as well as business partnerships specifically established to develop Findeks sales.

Four core teams are working under the umbrella of the Unit: Banking Channel, Partnerships Channel, Sales Channels Marketing Management, and Sales Support.

Since 2015, the Findeks Banking Channel has directly supported the increase of financial literacy and receivable risk management awareness among businesses and individuals. KKB focused on works related to the processes of banks' alternative distribution channels to be active on digital platforms, which are becoming more widespread. The number of banks offering Findeks products through their online and mobile applications in addition to the branch channel is increasing every passing day.

Rising product sales since 2015 enhance the utilization and recognition of Findeks products, as well. In the banking channel, the growing base of Findeks commercial customers helps improve the real sector's capability of managing receivable risks.

To raise recognition of Findeks, the Banking Channel transforms Findeks into a product at the headquarters business line of banks and ensures its dissemination to the banks' regional and branch network. Spanning all the strategic regions in Turkey, the Findeks field teamwork under the guidance of regional managers. The team also pays visits to the branches of banks brokering the sales of Findeks products through the Findeks Communication Consultants deployed out on the field.

As part of sales management efforts, the Business Partnerships Channel is expected to expand Findeks products and packages to the extreme points. The channel will facilitate the development of business models together. Prospective partners include the industry's leading software giants, which have widespread customer networks, ERP solution partners, operators, e-commerce sites that have a wide customer base, and Fintech firms.

As part of the cooperation with the Insurance Agents Federation of Turkey (TÜSAF), the unit also started to offer Findeks packages to the insur-

ance agent customers. The cooperation will allow insurance agent customers to manage their financial risks, find out the financial status of third parties they have trade relations with, and consequently manage their receivable risks.

The core duties and responsibilities of Sales Channels Marketing Management include developing marketing strategies for the sales processes of banks, business partnerships and insurance agents regarding Findeks products; and briefing on the activities to be conducted for Findeks products on internal and external communication channels. The team formulates arguments in line with the marketing plan to support sales and relationship management for existing and potential customers with operations in different sectors.

The Sales Support team pursues the mission of providing quality services on sales channels and necessary coordination with the field team. It also monitors field visits and performance reports to achieve sales targets. It successfully supports the operations of the field sales team, creates reports as required for sales channels, and communicates necessary information to the field team.

### **Findeks Sales Business Development Unit**

Since its establishment, the Findeks Sales Business Development Unit has been the gateway to the real sector in terms of identifying financial risk management needs and providing access to KKB's services. The activities conducted by the Unit include managing receivable risks based on rational data, increasing financial literacy through the business models developed, establishing standards in the process of financial information sharing, and ensuring transparency. As a solution partner, the Unit focuses on the needs of real sector players, public organizations and institutions, and non-governmental organizations during its activities.

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In 2019, the Findeks Sales Business Development Unit focused on increasing the added value generated for the real sector through the services provided.

**The Findeks Credit Rating, used by the insurance sector as an important parameter in the pricing of motor insurance policies, also offers discounts on premiums for individuals.**

In 2019, the Business Development Unit continued to work on increasing the added value it generates for the real sector through its services. Identifying new commercial opportunities in services, and introducing new fields of operation for the real sector remained the focal point of the Unit.

In 2019, Findeks continued to be used increasingly in the automotive rental sector. Providing significant advantages in managing the financial risks of the sector's companies, this service is also beneficial to individuals who lease cars by introducing them to Findeks Credit Rating, Cheque and Risk Reports. In this way, it also increases their awareness in terms of financial literacy. Penetration of Findeks services in the sector also paves the way for new partnerships involving bureau services and correlation activities for the respectable representatives of the sector.

The Findeks Credit Rating is now used in the pricing of motor insurance policies in the insurance sector. The rating is a key factor for the sector in effective pricing and offers the advantage of reducing premium costs for individuals. Intensive communication activities related to such advantages also contributed to product recognition.

IBAN-Turkish ID Number and GSM-Turkish ID Number validation services were extended in the insurance sector, helping companies achieve operational efficiency. Efforts for integration with KKB services in the field of agency risk management are ongoing.

In 2019, initial efforts were undertaken for the QR Code Cheque Insurance product in collaboration with the insurance sector. This new insurance product will help increase the use of QR Cheques and establish an environment of trust in cheque payment processes. Activities are ongoing at full speed.

Efforts to enable the use of Findeks in bonded sales of durable consumer goods and second-hand cars have also contributed to raising individuals' financial literacy. More widespread use of Findeks in this field was presented as a reference point for other sectors in 2019. Within this scope, the groundwork of a project aimed at outreaching end consumers in the HVAC sector was laid.

Furthermore, the Unit partnered with the leading institutional brands in Turkey to raise individuals' awareness of Findeks Credit Rating and financial literacy. Projects were developed in a manner to suit best the reputation of KKB; discounts and similar advantages for prominent brands were offered to consumers depending on their Findeks Credit Rating.

Efficient works were undertaken to support the widespread use of the Electronic Letter of Guarantee Platform (ELGP), the recent launch of the Business Development Unit, in the real sector in 2019. In addition to the institutions and firms the Unit con-

tacted directly, ELGP was presented to a broad sectoral network involving automotive, construction, agriculture, energy, healthcare, and durable goods, as part of the communication activities performed via those institutions and firms. In 2019, introductory presentations were delivered at the chambers of commerce. Partnerships with associations and prominent companies, as well as the communication activities carried out, helped present both ELGP and especially QR Code Cheque to broader audiences.

Owing to the projects implemented throughout 2019, the number of Findeks-integrated systems rose in sectors involving dealer credit risk management - such as FMCG, agriculture, construction, automotive, fuel oil - as well as those sectors where risk monitoring is critical. Studies undertaken with the real sector in the field of risk monitoring expanded enterprises' capacity to manage dealer risks proactively. Furthermore, many enterprises have utilized Findeks reports as a primary evaluation tool for limit allocations and included this rating system in their corporate processes.

**Through the projects conducted in 2019, the number of Findeks-integrated systems was increased in the sectors requiring dealer credit risk management such as FMCG, agriculture, construction materials, automotive and fuel oil, as well as those sectors where risk monitoring is critical.**

## 14. BUSINESS UNITS

KKB has built a career management model called “ideal” which is shaped by its vision, mission, strategies, and culture.

### HUMAN RESOURCES DEPARTMENT

In 2019, 97 new employees were hired and 47 were promoted within the framework of the career management model called “Ideal,” which is built on the corporate vision, mission, strategies, and culture.

Under the “Young Talents Program,” 11 new graduates were offered career opportunities at KKB. 11 new engineering graduates who passed the assessment stage successfully took an 8-week training program and then started to work as “Assistant System Specialists.”

To facilitate the orientation process of new hires and encourage the management staff to understand new generations’ expectations and perspectives on professional life, “Mentors” are appointed for six-month periods as part of the program “De-

veloping Together” initiated in 2018. 19 managers provided mentoring to 85 employees in 2019.

In line with the “Competence Inventory,” developed with the organization-specific core competencies based on job title, 95 employees who are expected to be future KKB executives participated in the “Competency Assessment Center.” These staff members received feedback on their strengths and improvement areas from an objective assessment and evaluation methodology. With this effort, employees are provided with development plans for the future, and KKB created a Candidate Pool for Executive Positions.

In order to ensure the continuous professional and personal development of employees, training/development programs composed of in-class and online modules were developed based on job titles; and full employee participation was achieved.

In 2017, KKB introduced a series of meetings to bolster communication between employees and senior management. Held regularly in 2019, the “Tête-à-tête with the General Manager,” “This Side of Business” and “Between HR and Us” meetings, respectively, provided KKB staff with the opportunity to speak with the General Manager, Assistant General Managers and Human Resources Department. In this way, each employee had the chance to participate in at least one communication meeting during the year.

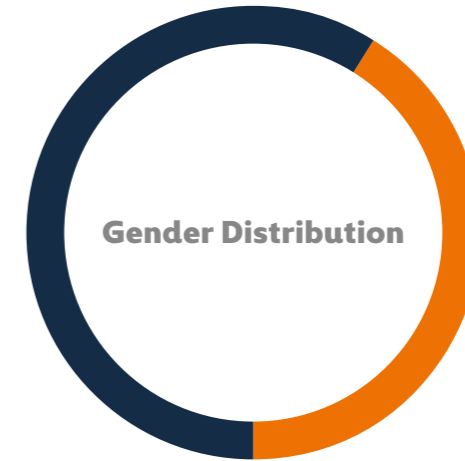
The rate of people who left KKB and started to work at other institutions was 4% in 2019.

### Profile of Human Resources



Male

59%



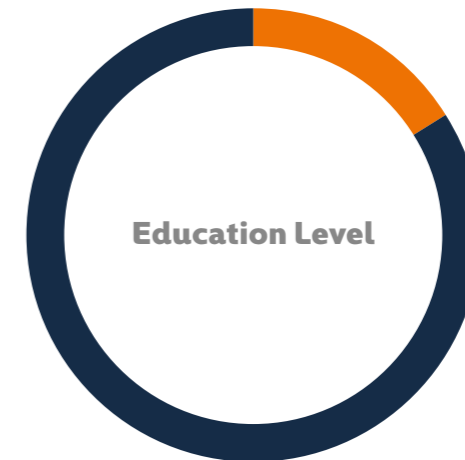
Female

41%



Bachelor and Master Degrees

80%



High School

20%

**482**

Total Number of Employees

**97**

New Hires in 2019

**34**

Average Age

**10**

Average Training Days per Employee in 2019

## 14. BUSINESS UNITS

Risk management activities are performed in accordance with international corporate risk management standards, namely COSO ERM and ISO 31000 Risk Management.

The primary responsibility of the Risk Management Department is to assess risks and opportunities that should be managed taking the founding mission and strategic objectives of KKB into account.

### RISK MANAGEMENT DEPARTMENT

Shaping its activities according to superior quality standards, KKB manages strategic, operational, financial, and reputational risks in light of international corporate risk management standards (e.g. COSO ERM, ISO 31000 Risk Management). The Risk Management Department operates directly under the General Manager and reports to the Audit Committee.

The Unit works to assess risks and opportunities that should be managed in line with KKB's founding mission and strategic objectives while supporting the provision of products and services in the most efficient, effective, and controlled manner possible. While strategic planning/targeting and risk management activities are carried out, risk assessment is performed in accordance with the Information Security Management System (ISO 27001), Business Continuity Management System (ISO 22301), and Service Management System (ISO 20000) standards. These activities were separately conducted by process, service, and asset. This is how KKB's critical services, as well as the processes and assets enabling the provision of such services, were subjected to risk assessments based on different methods and perspectives so as to identify all possible risks. In 2019, the Risk Management Department also performed risk as-

essment prior to contract execution with critical third parties providing support services or with whom a business partnership is to be established. The potential impacts of activities that are underway on KKB were also evaluated; relevant third parties were visited and on-site activities conducted. These efforts helped mitigate all external risks, including the risk arising from support services.

Holding ISO 27001, ISO 22301 and ISO20000 certificates, KKB targeted the best practices in risk management and improved its maturity, passing all inspections successfully and renewing these certifications. KKB also made significant progress in the technology and structures of crisis management, risk management, information security, strategic planning, and process management. In October, the business continuity and disaster recovery tests were performed successfully - in a more comprehensive manner than the previous years. As for crisis management, crisis simulations were developed with the participation of the senior management for better preparedness against current threats. KKB's crisis preparedness was assessed; potential improvement areas were identified. Furthermore, the practice initiated in 2018 was repeated. After the independent audit at KKB Anadolu Data Center, the service assurance report drafted in accordance with the ISAE3402 reporting standard was shared with customers. The report assured customers while helping mitigate audit efforts.

KKB strives to bring information security infrastructure and processes up to the level of the companies with the best performance in this field. In 2019, KKB continued to invest in information security infrastructure and improve cyber security detection capabilities.

The IT and business processes related to all KKB activities are established and carried out under the COBIT framework, the ISO 27001, ISO 22301, and ISO 20000 standards and the "Communiqué on the Principles Applicable to the Management of Information Systems of Information Exchange, Clearing and Settlement Entities and on the Audit of Business Processes and Information Systems," issued by BRSA in 2013. As part of Corporate Process Management, all corporate processes are aligned with the current operations; the impact of changes in processes is analyzed, and these changes are disseminated in a more effective manner. Standards were defined for processes, and efforts initiated in August 2019 to identify and improve efficiencies in processes. As a result, Key Performance Indicators were determined and made available for process owners. Process automation opportunities were evaluated, and the groundwork for Robotic Process Automation (RPA), which is among the initial steps towards full automation, was laid.

In order to bring information security infrastructure and processes up to the level of the companies with the best performance in this field, KKB continued to invest in information security and improve cyber security detection capabilities in 2019. KKB's Good Information Security Practices were presented at national and international conferences to make

a contribution to the sector in this field. Security training was provided to university students through private sector-university partnerships. A big data analytics platform was established in 2019, where performance and metrics related to information security processes can be centrally monitored. The maturity of related systems and processes was increased continuously thanks to the measurements performed. Under the people-oriented information security approach, information security awareness studies related to current events and global threats continued at full speed in 2019. A central awareness platform was positioned to raise employee awareness of information security. Training and tests were organized on this platform; and suspicious e-mail notifications started to be received via this platform, as well. By establishing an independent security monitoring team under the Information Security Unit, the maturity level in detecting and tracking the cyber risks and threats was increased. Besides, the number of security-oriented staff was doubled compared to the previous year.

Risk Management also assumes responsibility for operating the Business Continuity Management System to provide the continuity of services KKB offers to its customers. In 2019, it continued working to reduce the risks of potential crises and maintain KKB's crisis readiness with business impact analyses and emergency drills.

KKB's risk management policy includes the following activities:

- » Defining KKB's primary business goals,
- » Identifying threats that may prevent KKB from achieving its goals,
- » Identifying risks that may give rise to such threats and ascertaining the potential impact and likelihood of such risks,
- » Implementing risk management and controls as necessary to reduce risks to levels determined by senior management,
- » Establishing the coordination and communication network necessary for risk management within KKB,
- » Proactively assessing new risks that may emerge in credit recording and information technology systems, and developing recommendations on the mitigation of potential risks,
- » Providing KKB executives with training programs on risk management regularly and raising employee awareness,
- » Determining and regularly reviewing key risk indicators to measure and monitor existing risks.

This policy is supported with written procedures and job definitions; the first-level controls of risks identified by business units in the course of daily activities; and the periodic evaluation of the operating results of risk management by senior management.



## 14. BUSINESS UNITS

In 2019, accounting and finance operations were successfully carried out in accordance with the principles and procedures on accounting standards.



### FINANCIAL REPORTING AND FINANCIAL AFFAIRS DEPARTMENT

Financial Reporting and Financial Affairs Department is in charge of ensuring the planning of financial activity so that obligations and reporting requirements on financial activities are accurately and promptly fulfilled and monitoring and systematically recording operating results. The Department fulfills these responsibilities in accordance with KKB's strategic objectives, legislative regulations, and public interest.

The Department is also tasked with:

- » Monitoring and fulfilling tax liabilities,
- » Cash flow optimization,
- » Providing the reports requested by the senior management,

- » Compiling and submitting information, documents, and reports required by public authorities.
- » The Department ensures that all kinds of support needed by the operational units is within the legal and regulatory framework so they can entirely focus on their areas of expertise and maximize their efficiency.

#### Financial Affairs Management Unit

The Financial Affairs Management Unit successfully carried out accounting and finance operations in 2019, by taking into account the procedures and principles related to the accounting standards.

To this end:

- » In addition to preparing financial reports in line with the rules and regulations set forth by public authorities and sharing these reports

with related business units and the public, the Unit fully met tax obligations on time.

- » Cash flows were planned in a way that cash inflows generate an optimal return. The amendments to the legislation considering the financial activities were followed and necessary arrangements were made.
- » The Unit monitored collections and reported its findings to relevant departments to ensure efficient resource utilization and planning.
- » The Unit paid the expenses related to the maintenance and repair, insurance expenses for the maintenance of assets and repairs of fixed assets, project expenditures, management, and general expenses; it also met its financial obligations arising from applicable laws.
- » As an organization subject to the regulations of the Banking Regulation and Supervision Agency (BRSA), all

The primary duties and activities of the Budget and Reporting Unit in 2019 included assistance with the formulation of the financial strategy, preparation of the budget in line with KKB's policies and objectives, and providing guidance on budget-related activities.

legal reporting and independent external audit work conducted as per Turkish Accounting and Financial Reporting Standards was supported. In addition to these activities, all opinion requests from within KKB were answered within the framework of tax legislation.

#### Budget and Reporting Unit

In 2019, the Budget and Reporting Unit carried out the following activities:

- » Provided assistance in formulating the financial strategy, harmonizing financial management and control systems; preparing the budget in line with KKB's policies and goals; performing budget implementation and control.
- » Established the principles to be taken into account by business units included in the consolidated budget during budget preparation; coordinated the budget preparation process.
- » Reviewed the budgets prepared by business units to ensure their conformity to financial plans; created a financial scenario by consolidating budgets; and presented it to the Board of Directors, explaining the rationale.
- » Ensured that the budget is implemented in accordance with the goals described in the annual financial plan and carried out work related to the actualized budget.
- » Reviewed additional and extraordinary requests submitted by the departments in line with emerging

needs; made year-end estimates; and prepared a new budget for the requests deemed appropriate.

- » Compiled income and cash flow data and evaluated them against the expense budget; prepared a detailed income and expense budget by taking into account the cash flow statement prepared at the beginning of each fiscal year; revised these plans as necessary and monitored them for each department.
- » Ensured dissemination of fast and effective information flow in the most accurate way, with all business units within KKB and senior management and verified the accuracy of data in the MIS systems.
- » Undertook feasibility studies for new projects and products; and oversaw their management within KKB to ensure the implementation of an appropriate strategy.
- » Measured financial performance and guided managers accordingly,
- » Facilitated the formulation process of the financial strategy and carried out the necessary reporting and analysis in line with KKB's needs;
- » Monitored the channel-based sales performance of the units operating under consolidated budget;
- » Conducted performance monitoring of distribution channels by supporting the planning of the campaign plans in line with the budget and targets set in the annual financial plan;
- » Examined the budgets prepared by the units and facilitated the processes or the budget monitoring

and preparation of the objectives; ensured that the information flow and budget comply with the income/expense balance by drawing up reports required to define the targets;

- » Carried out turnover and income monitoring as well as budget target realization monitoring and established the reporting and system infrastructure required for these to be monitored by the business units as well;

#### Procurement and Contract Management Unit

In 2019, the Procurement Management Unit successfully executed purchasing activities in accordance with KKB's corporate structure, audit processes and internal procedures.

- » The Unit provided support to address KKB's needs in the most cost-effective and fastest way in tender processes conducted with suppliers.
- » The electronic tender platform was used where suppliers can share and update their bids electronically. Significant savings were attained thanks to this platform.
- » As for procurement procedures outside this platform, KKB made significant savings through strong negotiation capabilities and effective analyses of bids and requirements.
- » Improvements and additional enhancements were made in the existing ERP system processes to make the system more effective, efficient, and controlled.
- » Process enhancements and updates as required by applicable laws were introduced in supplier risk assessment and support service decision-making processes.
- » As part of inventory management, a new platform was formed and deployed where fixed assets and inventories can be tracked.
- » In addition to procurement contracts, processes were introduced regarding business partnership, product, and data center contracts.
- » A mechanism was established whereby all procurement details can be instantly forwarded to department heads via the reporting system.

## 14. BUSINESS UNITS

The Risk Center Coordination Department is primarily responsible for key bureau activities including data collection and sharing services.

The “Risk Center Report Application” service by the Banks Association of Turkey (TBB) was made accessible for all users via the e-state gateway to increase financial literacy in Turkey.

### RISK CENTER COORDINATION DEPARTMENT

The Risk Center Coordination Department is responsible for activities carried out by KKB on behalf of the TBB Risk Center. The Department consists of the Risk Center Project and Product Development, and Business Intelligence and Reporting Units. In addition to data collection and sharing functions, which are the core bureau activities, the Unit also focuses on the development of new products and services that will create added value for the member institutions. The Department’s primary aims include receiving new data and services both from private and public sources, and developing new products over existing data for the needs of members in line with KKB’s strategies, in coordination with the Risk Center. On the business intelligence side, regular reports are produced on the collected data, and statistics are published. Additionally, efforts to improve the quality of the data are continuously carried out.

### Risk Center Project and Product Development

The Risk Center Project and Product Development Unit implemented the following key projects in 2019:

- » The “Risk Center Report Application” service by the Banks Association of Turkey (TBB) was made accessible for all users via the e-state gateway to increase financial literacy in Turkey;
- » Asset management companies started to notify their commercial credit risks under the CBS Simplification project;
- » The 2018 turnover and asset size information obtained from the Revenue Administration (GİB) was included in the CBS system and shared with members;
- » As part of Foreign Currency Loan and Income Inquiry, members started to manage procedures related with changes in the type of company, demergers, and mergers; developments required for compliance with the circular on capital movements were completed;
- » On the mainframe system where CRS and CBS applications run, SNA technologies were replaced with two-factor authentication structure after the transition was completed;

- » In order to allow inquiry of past financial information, Credit Reference System (CRS) Retrospective Inquiry service was launched;
- » Cheque scores started to be shared on the cheque report raw data web service;
- » New risk codes were added in the Credit Limit-Credit Risk-Receivables to be Liquidated (CLCR) application and activities were conducted to differentiate Credit Guarantee Fund (KGF) credits.

The following activities initiated in 2019 are planned for deployment in 2020:

- » Under the Bill Consolidation project, bills will be obtained via the web service and presented in the bill report to be designed;
- » Accounts that are re-structured or under an interim injunction will be displayed separately in the CRS inquiries, and retrospective inquiries will be shared with members in a new segment.

### Business Intelligence and Reporting

Data controls and quality improvement efforts for the data retained at TBB’s Risk Center have continued intensively. In addition to automation validations and sanction rules

in data notification processes, trend controls on databases by member, consistency efforts by data type, and cross controls are run, prior to the performance of reporting and communication activities. Significant data quality improvements were attained this way.

Statistics shared with the public on the website of TBB Risk Center started to be presented on the TBB Data System in 2019. This interactive data inquiry system, which also includes other statistics of TBB, was made available at <https://verisistemi.tbb.org.tr/>. The project titled “Risk Center Interactive Data Inquiry System” was launched in Q4 2019 to move the report sets shared with TBB Risk Center members to an interactive platform. Slated to be completed in 2020, this system will allow members to access a more visual and enriched version of the reports presented based on the data at TBB Risk Center. Furthermore, members will be able to set filters and access summary report results. The platform will also enable members to compare their data and overall sector figures, and it will be built on a structure that can be improved and enhanced in line with future needs and expectations.

“Risk Center Interactive Data Inquiry System” project initiated in Q4 2019 is planned to move the report sets shared with TBB Risk Center Members to an interactive platform.

## 14. BUSINESS UNITS

Regulatory Compliance and Legal Unit ensures that products and services KKB plans to offer are designed in compliance with applicable laws.

Regulatory Compliance and Legal Unit is in charge of preparing contracts KKB will execute, and ensuring coordination between relevant KKB departments and companies providing consultancy services in trademark and patent processes.

### REGULATORY COMPLIANCE, LEGAL AND OPERATIONS DEPARTMENT

#### Regulatory Compliance and Legal Unit

The Unit aims to ensure compliance of the products and services KKB plans to offer with applicable laws and alignment of existing products and services with the changes to applicable laws. Today, many companies across industries, in particular those in banking and finance, target moving their products and services to the digital environment to boost efficiency and reduce costs with the use of advanced technology. Against this backdrop, the Unit aims to conduct studies for the establishment of the necessary legal infrastructure to assist in implementing these corporate digitalization strategies. The Unit is also in charge of preparing the contracts KKB will execute with members, customers and suppliers, ensuring coordination between relevant KKB departments and companies providing consultancy services in trademark and patent processes, selecting the law firms to provide legal services and monitoring their services, following up litigation cases planned to be monitored within KKB, providing legal advice to the units within KKB, and providing support to General Assembly preparations.

#### Operations Center

The Operations Center ensures the continuity and functioning of business processes at KKB. To this end, it responds to the requests of members, customers, and the units within the organization by proxy, both on behalf of KKB and the Risk Center of the Banks Association of Turkey. The Unit operates with two teams: Authorization Management and Official Correspondence.

The Authorization Management Team's activities include authorizing internal and external web applications of KKB; defining memberships and subscriptions; meeting customer report requests related to the RC Risk Report, making Findeks operational definitions related to real sector customers, while ensuring that the data types, which are notified to the members daily, are logged in the system. The Official Correspondence Team's activities include responding to correspondence from customers as well as official institutions such as the Courts, Public Prosecutor's Office, Security Directorate, Ministry of Finance, Capital Markets Board (CMB), Social Security Institution (SSI), Revenue Administration, and the Directorate of Execution within the legally required time frame. The team also ensures that the reports requested by the official institutions are produced accurately and completely and become ready for submission. Studies

were commenced to renew the Document Management System, where official authorities' requests are monitored. The plan is to deploy the renewed system in 2020. The new system is intended to run all processes in a fully-integrated and automated manner, reduce transaction times, and mitigate operational risks.

#### Audits Conducted, Sanctions and Penalties Imposed During the Period

As of December 31, 2018, the pending lawsuits filed against the Company with pecuniary compensation claims are as follows:

- » The lawsuit filed on November 28, 2013, with a claim of TRY 200,000 for pecuniary and non-pecuniary damages, each of which amount to TRY 100,000 and with a claim to at least 20% of the possible earnings.
- » A lawsuit filed on 27.10.2016 against a bank and KKB with a claim of TRY 1,000 for pecuniary damages and TRY 30,000 for non-pecuniary damages.
- » The lawsuit filed on July 30, 2018, with a non-pecuniary damage claim amounting to TRY 20,000.
- » 2 reinstatement lawsuits.
- » 4 severance and/or notice pay lawsuits.

In 2019, a total of TRY 79,025 was imposed on the Company in respect of administrative fines.

#### Dividend Distribution Proposal

During the Board of Directors meeting dated February 27, 2020, and in line with the decision numbered 2020/09, it was unanimously resolved by the participating members to submit for the approval of the General Assembly: i) not to distribute the net income remaining from the Company's 2019 Gross Profit after setting aside the legal reserves, to the shareholders; and to keep it in the Extraordinary Reserves Account, ii) to distribute, the remaining net amount after setting aside legal reserves from the TRY 2,836,000.00 of 2014 income, recorded in the Extraordinary Reserves Account and which was not previously distributed.

#### Competition Status of the Executives of the Company

The members of the Board of Directors of KKB did not engage in any business or transactions that violate the non-competition agreement, neither for themselves nor on behalf of others.

The Operations Center addresses members', customers', and internal units' requests on behalf of KKB and the Banks Association of Turkey Risk Center, while guaranteeing the continuity and effectiveness of business processes.

## 14. BUSINESS UNITS

R&D activities were initiated to classify, forward, and respond to notifications through the use of Artificial Intelligence.



### COMMUNICATION CENTER DEPARTMENT

The Communication Center continued to respond accurately and promptly to the requests of KKB member financial institutions in 2019. The Communication Center provided services for the activities of KKB, Risk Center, Turkish Central Bank's Systemic Risk Data Tracking System, and the Association of Financial Institutions.

The Communication Center regularly convened with product teams and organized product trainings to

raise employees' level of knowledge. Members' questions and requests were addressed more promptly and member satisfaction increased, with the Communication Center receiving the notifications.

In line with emerging technologies, processes are continuously improved. To this end, R&D activities were initiated to classify, forward, and respond to notifications through the use of Artificial Intelligence. The aim is to deploy this practice in the coming period.



### INTERNAL AUDIT DEPARTMENT

#### IT Audit and Business Processes Audit Units

In 2019, the Internal Audit Department completed the process and management statement audits in line with the audit plan approved by the Board of Directors. Management statement works and support service provider audits were conducted by the Department for the sixth time in 2019. In regard to the referenced efforts, KKB's 2019 Management Statement Report and Management Statement Report Related to the Risk Center Operations Carried Out by KKB were prepared successfully. The reports were shared with the independent audit company and TBB Risk Center.

The audit plan for 2019 was prepared with a risk-based methodology, taking KKB's broader product range, technological developments, legislative changes, and digital innovations across the globe into account. Process audits including Findeks Flows Security Audit, Findeks Mobile and Online Branch Security Audit, Membership Access and Authorization Process Audit, Data Warehouse and Business Intelligence Applications SDLC and Authorization Process Audits were conducted according to the audit plan. Support service provider audits, planned in line with the criticality of products, were also completed. The Department completed the audit of 31 IT and business processes and two support service

processes – including System Security, Software Development Life Cycle, Data Management, Information Architecture Definition, CRM and Channel Management, and Operation Center processes – based on KKB's service continuity and information security requirements.

Taking KKB's growing license inventory into account, and to prevent legal risks, the Department also conducted a License Management Audit to guarantee effective management of the license costs and license inventory. Compliance inspections were performed for all the licenses managed on Snow application.

Using technology effectively in every aspect of its operations, the Internal Audit Department monitors findings, and actions through automatic reporting via the GRC system. Monitoring results are reported monthly to KKB and TBB Risk Center administrations.

#### Member Audit Analysis and Coordination Unit

The Risk Center Member Audit Tracking System, which has ensured centralized management of member audits since 2016, continued to serve all member organizations and independent audit companies via e-signature verification and two-factor identity authentication infrastructure.

As a result of analysis and evaluation studies made by the Unit, risk performance of member organizations can be tracked. With the rising awareness, the maturity level was increased in the

presence of member organizations during the security, integrity, and authenticity process of Risk Center data.

In 2019, the Internal Control Department performed risk analyses and previous period comparisons with respect to 91 audits conducted by independent audit firms at member institutions. The results of the audits were shared with the Risk Center administration.

In accordance with the circular published by TBB Risk Center in 2017, the Internal Control Department's member inspection team conducted on-site studies in relation to risk analysis of seven Risk Center member organizations in 2019. Besides, the Department developed an early warning system that analyzes the risk structures of members and end users according to various criteria based on an analytical model. Efforts were initiated to develop a system involving advanced technological solutions including artificial intelligence. The Unit supports the efforts to create a best practices guideline to raise awareness in the sector while continuing with monitoring and steering activities to ensure compliance with the guideline.

In 2019, Findeks Web Service Data Security Analyses were carried out at 15 Findeks member organizations following a specific methodology. Risk assessments on legal entities receiving data from Findeks via web service were performed and guidance provided to increase the reliability of their systems.

## 14. BUSINESS UNITS

The focal point of the Internal Control Department is to guarantee the efficiency and effectiveness of KKB's activities.

The Information Systems Control Unit conducts control activities for information system processes while ensuring the compliance of processes with applicable laws and corporate procedures.

### INTERNAL CONTROL DEPARTMENT

The Internal Control Department is focused on guaranteeing the efficiency and effectiveness of operations in light of the type and nature of the activities undertaken by KKB. Accordingly, the Department is in charge of planning, implementing, and coordinating internal control activities including those related to information systems, business processes, financial reporting systems, and compliance with laws. Its responsibilities include evaluating the effectiveness of internal control systems and thus protecting KKB's assets; implementing control activities efficiently, effectively, and in accordance with applicable laws, internal policies and rules; ensuring the reliability and integrity of accounting and financial accounting systems as well as prompt availability of information; and developing internal control systems and internal control activities in a manner to eliminate and prevent risks.

The "Exhaustive Audit Trail Infrastructure" Project is designed to bolster KKB's audit trail structure with open source software and big data platforms in line with its growing product range, expanding the number of customers and continuously progressing technology. The Internal Control Department launched this effort in 2017. Thanks to the accumulation of

data in 2018 and with the integration of third-party service applications in 2019, the project has established a strong foundation to monitor internal control systems using artificial intelligence.

The Internal Control Department is composed of Information Systems Control Unit and Business Processes and Financial Control Unit.

**Information Systems Control Unit**  
Information Systems Control Unit executes control activities for the information systems processes within KKB pursuant to existing legislation and KKB's internal procedures. The identified violations are recorded on the GRC application; relevant action plans are regularly monitored. Additionally, the unit conducts verification studies within the institution in relation to the obligations of the ISO 27001, ISO 22301, and ISO 20000 certifications.

**Business Processes and Financial Control Unit**  
Business Processes and Financial Control Unit executes control activities related to all business and financial processes other than the information systems processes within the scope of applicable legislation and KKB procedures. Breaches and violations detected as a result of the control activities are managed by creating a finding and action plan on the application (GRC) in use.

### COMMITTEES

**Project Steering Committee**  
The Project Steering Committee is responsible for informing senior management about the strategic conformity of projects, investment decisions regarding important information systems, requests to be added to the annual project plan, assessing the costs and priorities of projects, and evaluating the risks related to existing projects and potential risks.

**Audit Committee**  
The Audit Committee convenes to review the activities of the Internal Audit, Regulatory Compliance and Operations, Internal Control, Risk Management Departments. The Committee aims to share the results of these activities with KKB senior management. Information on the results of audit activities conducted within the organization is provided to the participants, which include some members of the Board of Directors.

**Internal Audit Committee**  
The Internal Audit Committee compiles information on the audit plan, holds briefings on completed audits, gathers information on actions/findings, which are either overdue or incomplete and the action date revision requests. The Committee discusses the audit findings and results with executives and/or the staff of the audited units and departments.

**Disciplinary Committee**  
The Disciplinary Committee is responsible for determining situations contrary to the Human Resources Discipline Regulation and for implementing the disciplinary sanction decisions that are deemed appropriate. To determine situations contrary to the Discipline Regulation, the Manager of the Regulatory Compliance and Operations Department and other KKB Department Executives come together to evaluate the results of the investigation on the related issue.

**KKB Steering Committee**  
The KKB Steering Committee is responsible for the current status of the institution's finances, assessment of the compatibility with the strategic objectives, and evaluation of the new products/services planned. Besides, the Committee

evaluates information from the related department executives about the activities realized within the month that are strategically important.

**Weekly Product Evaluation Meeting**  
Weekly Product Evaluation Meetings are held to evaluate the strategic conformity of existing products/services, product usage, and improvement recommendations/requests regarding products. Additionally, decisions are taken on the types of data to be used and the manner of sharing such data within the scope of the product/service provided by KKB. Important matters regarding the suppliers of new and existing products are also evaluated during these meetings.

**Information Security Committee**  
The Information Security Committee aims to assess KKB's information security weaknesses, primarily the changes to the operation of the information security function, as well as the evaluation of the need for resources and coordination to eliminate these weaknesses. The Committee's responsibilities include informing senior management about information security violations within the institution and global information security incidents.

**Business Continuity Committee**  
The Business Continuity Committee convenes to determine crisis scenarios, prepare relevant action plans, review changes in the operation of the business continuity function and evaluate resource needs, based on the mentioned scenarios. The Committee is responsible for providing information on the current status of business continuity risks, actions, and practices.

**Data Governance Committee**  
The Data Governance Committee is responsible for making decisions to ensure the quality and integrity of the data that KKB has provided, stored, and shared. The Committee identifies the needs related to the data and assesses data validation rules and methods. Also, the Data Governance Committee evaluates the information architecture and makes decisions on the compatibility of projects that may affect the information architecture.

**Process Committee**  
The Process Committee convenes to assess the changes to be made in the functioning of the institutional processes. The Committee is also responsible for eliminating gray areas as to which units should undertake the process activities; determining and monitoring the performance goals of the processes. Also, the Process Committee coordinates all optimization and automation efforts of the processes in terms of design and operation with senior management support.

**Change Committee**  
The Change Committee is tasked with evaluating application and system changes' impact on daily operations and their compliance with applicable laws. The Committee also controls the measures required to minimize the risks arising from changes.

**Information Systems Steering Committee**  
The Information Systems Steering Committee is responsible for ensuring alignment of IT strategies with business objectives; prioritizing resource requirements in this direction; developing strategies; monitoring and improving the developed strategies. The Committee also prepares the annual information systems budget and submits it for approval, plans IT investments and assesses the impact of new investments on the KKB risk profile and resource requirements.

**Service Management Committee**  
The Service Management Committee is responsible for determining the scope, policy, and objectives of KKB's service management in line with the corporate strategy, planning and monitoring the efforts related to service management, and raising awareness with respect to meeting service requirements. The Committee also ensures that activities are regularly reviewed and carried out in accordance with applicable laws, rules, and regulations; provides adequate resources to conduct service management activities; and identifies and manages risks related to service management.

**ACTIVITIES**



# 15. OUR HOLISTIC PRODUCTS AND SERVICES

Service Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Credit Reference System (CRS)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Individual Customer Objection Assessment System (Individual MIDES)		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
False Information/Document/Declaration/Application Alert System (SABAS)		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRS Information Verification System				●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Personal Credit Rating (PCR)						●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Corporate Bureau System (CBS)							●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Limit Control System (LCS)								●	●	●	●	●	●	●	●	●	●	●	●	●	●
Internet Frauds Alert System (IFAS)									●	●	●	●	●	●	●	●	●	●	●	●	●
Bounced Cheque Inquiry and Information Sharing Services										●	●	●	●	●	●	●	●	●	●	●	●
Personal Indebtedness Index (PII)											●	●	●	●	●	●	●	●	●	●	●
Cheque Report														●	●	●	●	●	●	●	●
Risk Report															●	●	●	●	●	●	●
Credit Limit Credit Risk Inquiry and Sharing Services																●	●	●	●	●	●
Sharing Information about Protested Bills																●	●	●	●	●	●
Individual Cheque Inquiry																●	●	●	●	●	●
Risk Center Customer Report Service																●	●	●	●	●	●
GeoMIS – Map-Based Reporting Service																●	●	●	●	●	●
Agricultural Loan Assessment System (TARDES)																●	●	●	●	●	●
Cheque Index																●	●	●	●	●	●
Central Decision Support Systems (CDSS)																●	●	●	●	●	●
Commercial Credit Rating (CCR)																●	●	●	●	●	●
Prescribed Accounts																●	●	●	●	●	●
Corporate Customer Objection Assessment System (Corporate MIDES)																	●	●	●	●	●
Cheque Report Raw Data Presentation																	●	●	●	●	●
Risk Report Raw Data Presentation																	●	●	●	●	●
Bounced Cheque Warning System																	●	●	●	●	●
Inquiry and Warning about Entities Prohibited from Participation in Tenders																	●	●	●	●	●
Data Sharing about Derivative Transactions																	●	●	●	●	●
Data Updating Application																	●	●	●	●	●
Data Validation and Sanction Application																	●	●	●	●	●
Acceptance & Rejection Notifications Related to Loan Applications																	●	●	●	●	●
Sharing of Internal Rating Scores																	●	●	●	●	●
Rating Scores Sharing Service																	●	●	●	●	●
Official Institution and Customer Information Request Services																	●	●	●	●	●
Member Request Management Services																	●	●	●	●	●
Risk Center Bulletin and Statistics Publication Services																	●	●	●	●	●
Address Processing Service																	●	●	●	●	●
Cheque Status Inquiry																	●	●	●	●	●
Farmer Registry System (FRS)																	●	●	●	●	●
My Findeks Rating Consultant																	●	●	●	●	●
Findeks Warning Services																	●	●	●	●	●
Findeks Tracer																	●	●	●	●	●
Trade Registry Sharing System (TRSS)																	●	●	●	●	●
Paid Bills Inquiry Service																	●	●	●	●	●
Sharing Information about Cheques under Interim Injunction																	●	●	●	●	●
Sharing Information about Companies that have Declared Bankruptcy/Suspended Bankruptcy/Debt Composition																	●	●	●	●	●
Sharing Information about Customers Banned from Using Cheques																	●	●	●	●	●
Customer RA Personal Record Search																	●	●	●	●	●
Cross Cheque Relations Inquiry Service																	●	●	●	●	●
Credit Insurance Inquiry Service																	●	●	●	●	●
Findeks QR Code Cheque System																	●	●	●	●	●
Letter of Guarantee Status Inquiry (LGS)																	●	●	●	●	●
Collection Scores																	●	●	●	●	●
Inclination Scores																	●	●	●	●	●
Central Invoice Registration System (CIRS)																	●	●	●	●	●
IBAN Validation Service																	●	●	●	●	●
LCS Customer Objections Handling System (MIDES)																	●	●	●	●	●
Application Fraud Attempt Detection and Prevention Service																	●	●	●	●	●
Credits Analysis Portal																	●	●	●	●	●
CTMCRS Inquiry Service																	●	●	●	●	●
Cheque Analysis Portal																	●	●	●	●	●
KKB Unknown Number Service																	●	●	●	●	●
Address Processing – Maps Service																	●	●	●	●	●
RC Warning Services																	●	●	●	●	●
Force Majeure Inquiry																	●	●	●	●	●
BKM Member Merchant Turnover Information Inquiry																	●	●	●	●	●
Loan Utilization Instant Sharing Service (KAPS)																	●	●	●	●	●
Electronic Letter of Guarantee																	●	●	●	●	●
Individual Inquiry Unit Reporting																	●	●	●	●	●
Findeks QR Code Cheque Registration System																	●	●	●	●	●
Telecommunications Information Inquiry																	●	●	●	●	●
Foreign Currency Credit and Income Inquiry																	●	●	●	●	●
Retroactive CRS Inquiry																	●	●	●	●	●
Provision of Risk Center Report via the E-State Gateway																	●	●	●	●	●
Findeks QR Code Cheque System																	●	●	●	●	●
BRSA Product and Service Fees Portal																	●	●	●	●	●

## 16. KKB'S PRODUCTS AND SERVICES\*

Service Name	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Limit Control System (LCS)	●	●	●	●	●	●	●	●	●	●
Personal Credit Rating (PCR)	●	●	●	●	●	●	●	●	●	●
False Information/Document/Declaration/Application Alert System (SABAS)	●	●	●	●	●	●	●	●	●	●
Internet Frauds Alert System (IFAS)	●	●	●	●	●	●	●	●	●	●
Personal Indebtedness Index (PII)			●	●	●	●	●	●	●	●
Cheque Report			●	●	●	●	●	●	●	●
Risk Report			●	●	●	●	●	●	●	●
GeoMIS - Map-Based Reporting Service				●	●	●	●	●	●	●
Agricultural Loan Assessment System (TARDES)				●	●	●	●	●	●	●
Cheque Index				●	●	●	●	●	●	●
Central Decision Support Systems (CDSS)				●	●	●	●	●	●	●
Commercial Credit Rating (CCR)				●	●	●	●	●	●	●
Prescribed Accounts				●	●	●	●	●	●	●
Address Processing Service					●	●	●	●	●	●
Cheque Status Inquiry					●	●	●	●	●	●
Farmer Registry System (FRS)					●	●	●	●	●	●
My Findeks Rating Consultant					●	●	●	●	●	●
Findeks Warning Services					●	●	●	●	●	●
Findeks Tracer					●	●	●	●	●	●
Trade Registry Sharing System (TRSS)					●	●	●	●	●	●
Findeks QR Code Cheque System						●	●	●	●	●
Letter of Guarantee Status Inquiry (LGSI)						●	●	●	●	●
Collection Scores						●	●	●	●	●
Inclination Scores						●	●	●	●	●
Central Invoice Registration System (CIRS)						●	●	●	●	●
IBAN Validation Service						●	●	●	●	●
LCS Customer Objections Handling System (MIDES)						●	●	●	●	●
Application Fraud Attempt Detection and Prevention Service						●	●	●	●	●
Credits Analysis Portal						●	●	●	●	●
Cheque Analysis Portal							●	●	●	●
KKB Unknown Number Service							●	●	●	●
Address Processing - Maps Service							●	●	●	●
Loan Utilization Instant Sharing Service (KAPS)								●	●	●
Electronic Letter of Guarantee								●	●	●
Findeks QR Code Cheque Registration System									●	●
BRSA Product and Service Fees Portal										●
Findeks QR Code Cheque System										●

\*Products and services offered to the TBB Risk Center by proxy are presented in Chapter 17.

### LIMIT CONTROL SYSTEM (LCS)

Pursuant to the Bank Cards and Credit Cards Law, the total limit of credit cards that may be granted by a card issuing organization to a customer, who will begin using a credit card for the first time, may not exceed twice their income for the first year and four times thereof for the second year. Pursuant to the regulation dated October 8, 2013, credit limits apply to all credit cardholders.

KKB initiated works on this issue in collaboration with the TBB Credit Cards Working Group, commencing the test run of the Limit Control System (LCS) in late 2013. As of January 2014, all members uploaded customers' credit card data into the system.

Designed and developed by KKB in line with the country's needs, the Limit Control System runs in real-time.

LCS enables credit card issuers to manage the single limit application by combining credit card limits assigned by credit card issuers for each customer.

Starting on March 1, 2014, sanctions are implemented within the Limit Control System (LCS) under the following conditions:

- If there are missing records in the first notification file transmitted, or if a subsequent addition is attempted,
- If FTP notification does not comply with the standards or is not made within the specified time.
- If the final limit is notified wrongly,
- If the current limit is communicated incorrectly,

As a result of the latest improvements to LCS; reduction and closure transactions, which are carried out in a batch, can now be performed online. Allocation and additional allocation transactions can be canceled online.

With the launch of the LCS Urgent Updating service, members were enabled to perform reduction, closure, and record correction transactions without document circulation in order to facilitate correction of limits notified as part of LCS.

### LCS CUSTOMER OBJECTIONS HANDLING SYSTEM (MIDES)

LCS MIDES provides a platform for KKB members to handle customer complaints related to incomplete or incorrect information shared via the Limit Control System.

If a customer thinks that the information shared via LCS is incomplete or incorrect, they can initiate the objection process in LCS MIDES by using the reference number generated for the inquiry. Regarding complaints submitted by members, the process runs between objecting and responding parties through LCS MIDES screens. If the responding member replies to an objection with a value lower than the LCS value, then the process continues via the LCS Urgent Updating screen with the responding member updating their reply.

LCS MIDES was developed to respond to customer objections quickly and clearly and to carry out all related communications in accordance with certain standards. It aims to shorten the objection process and increase customer satisfaction.

### RISK REPORT

The Risk Report is a KKB product that shows the past loan repayment performance of natural persons and legal entities.

The credit registry data owned by KKB consists of customer information shared between KKB's members. The report is prepared based on this information and submitted without making changes. It is beyond its peers in the world in terms of design and content as a result of the enrichment activities carried out in 2014. The following information is provided in the report:

- » Findeks Credit Rating
- » Limits, risks, past payment performance and credit card payment details of the respective individual
- » Number of financial institutions which made the notification
- » Total number of credit accounts
- » Total limit and balance data
- » Date of the last loan utilization
- » Number of overdue credit accounts
- » Total amount of overdue balance

- » Longest overdue period to date
- » Details of non-performing loans if any
- » Leasing – Factoring combined data
- » The rating percentiles which indicate customer's credit rating percentile throughout Turkey
- » Worst case in the repayment history
- » Longest overdue period to date
- » Liabilities of credit card holders, the outstanding balance under prosecution, credit utilization ratio, the balance of outstanding installments
- » For consumer loans: outstanding balance under prosecution, credit utilization ratio, number of installments, amount of installments, and the like.

The Risk Report also shows repayment performance for each loan over the past 18 months, while providing an overview of repayment performance in the financial sector. The report contains not only negative information, such as overdue payments or records under prosecution but also positive information, such as timely repayment of loans. Therefore, the Risk Report offers a significant advantage for persons who pay off their debts by the due date.

Since September 2012, KKB has also shared the Risk Reports with report-issuing persons/institutions and third parties authorized by these issuers through bank branches. In addition to the financial industry, the Reports have been shared electronically via the Findeks platform with individuals and the real sector since 2014.

### CHEQUE REPORT

The enactment of the Law Amending Cheque Law No. 6273, which was promulgated in the Official Gazette No. 28193 (Repeating) dated February 3, 2012, abolished the sanction imposed on issuers of bounced cheques and ushered in a new era in the Turkish economy in terms of credit risk management.

Platforms through which information required for proper management of risk and accurate decision making by a cheque bearer whether to accept the cheque aim to protect both the cheque issuer and bearer.



## 16. KKB'S PRODUCTS AND SERVICES

The Cheque Report enables easy access to the past cheque payment information of cheque issuers.

The "Cheque Report Presentation System" was introduced by KKB in April 2012 to make the cheque more secure as a common instrument of payment.

The "Cheque Report Presentation System" was introduced by KKB in April 2012 to make the cheque more secure as a common instrument of payment. The system offers a service that provides the cheque payment history information needed by cheque bearers about the cheque issuers in order to make sound decisions via the Cheque Reports the system produces.

The Cheque Report contains the following information:

- » Banks where the customer has cheque accounts
- » Number of cheques presented since 2007
- » Number and amount of cheques paid upon presentation
- » Number and amount of cheques bounced and still unpaid since 2009
- » Number and amount of cheques bounced but subsequently paid since 2009
- » Date of the first cheque presented
- » Date of the first cheque presented and dishonored
- » Date of the last cheque presented and dishonored
- » Date of the last cheque paid upon presentation
- » Number and amount of cheques paid during the last 1-, 3- and 12-month periods
- » Number and amount of cheques dishonored during the last 1-, 3- and 12-month periods

- » List of dishonored cheques limited to the most recent 50 cheques
- » Number of open cheques remaining unpaid or non-dishonored
- » Number and amount of postdated cheques remaining unpaid or non-dishonored
- » Number of cheques unreturned to the banking system,
- » Cheque Index,
- » Table showing the lowest, highest, and average amounts of cheques by year,
- » Data of open cheques in addition to collection guarantee cheques,
- » Issuers' postdated and open cheques, in addition to bounced and paid cheques.

The system offers a service that provides the cheque payment history information needed by cheque bearers about the cheque issuers in order to make sound decisions via the Cheque Reports the system produces.

The Personal Credit Rating (PCR) enables lending institutions to make rational, standardized risk-based decisions while shortening the decision-making process substantially.

The Cheque Report enables tracking of the cheque payment performance of an account holder, whether positive or negative. The report also shows how many banks have issued cheque books to the account holder and gives an idea about the credibility of the person in question. If the Cheque Report is used at the time of cheque acceptance, it is possible to predict the probability of the cheque bouncing with up to 80% accuracy.

The Cheque Report is receivable via mobile devices or online. Reports can be required by real sector players from the counterparty at every platform of commercial transactions. Through online report applications, real sector players can obtain a Cheque Report or a Risk Report of a debtor from the said debtor or, with their approval, directly from the KKB inquiry system to control their credit risk. KKB has set an example worldwide with its unique infrastructure, which enables the requesting of Cheque Reports by obtaining online consent from third parties; moreover, the system is integrated with all banks in Turkey.

### CHEQUE STATUS INQUIRY SERVICE

The Cheque Status Inquiry Service was developed to prevent cheque fraud, which has been on the rise of late. With this service, one can find out whether a cheque is in circulation by making an online inquiry about the status of accepted cheques. The

service makes it possible to discover whether the cheque is in circulation through an online inquiry via the issuing bank.

With the Cheque Status Inquiry Service, the institution can inquire the bank code, branch code, checking account number and cheque row number of the cheques accepted as a guarantee or for collection, and the status of the cheques.

### CHEQUE INDEX

The Cheque Index summarizes cheque using habits and the reliability of a cheque issuer while serving as a risk indicator in graphic form. The Cheque Index is based on a score for the market, which is derived from the cheque payment data of natural and legal persons.

The Cheque Index evaluates the cheque payment behavior of legal entities and natural persons as a measurable factor. If there has been a problem, the Cheque Index's calculation reflects the number and amount. The cheque bearer can easily see the standing of a cheque issuer on a simple diagram and compare his/her position with other cheque issuers.

The Cheque Index, calculated statistically through an analysis of detailed data in the Cheque Report, facilitates interpretation of the reports and sound decision-making, hence ensuring time and resource savings. The Cheque Index is based on statistical

data obtained through the analysis of detailed information pertaining to cheque history. Therefore, corporations can use the Cheque Index before engaging in a cheque transaction instead of attempting to interpret the detailed information in the Cheque Report. The Cheque Index enables companies to: Have an idea about the reliability of cheques, which they accept as a guarantee, Make consistent predictions as to whether the cheque will be paid by the maturity date, and Minimize any financial loss they may incur if the cheque bounces.

### PERSONAL CREDIT RATING (PCR)

The Personal Credit Rating (PCR) is a numerical indicator calculated by KKB for individual customers to predict and compare customers' ability to repay the loans they have obtained or will obtain from KKB-member institutions. PCR is a decision support product developed using a statistical model; it provides a summary of data pertaining to loan repayments of customers, obtained via the Credit Reference System (CRS).

PCR enables lending institutions to make rational, standardized risk decisions while shortening the decision-making process substantially. As a result, customers can access loan products in a shorter time. Lastly, KKB launched the fifth version of PCR in 2017.

### PERSONAL INDEBTEDNESS INDEX PII

The Personal Indebtedness Index (PII) is a score-based risk index developed by KKB to introduce a new risk perception to the banking-finance industry and to enable better prediction of potential risks. PII aims to identify persons who are inclined to run up excessive debts, even though they may not have shown any signs of repayment problems in the past. The objectives of PII include:

## 16. KKB'S PRODUCTS AND SERVICES

With Commercial Credit Rating (CCR), monitoring the external behavior of loan customers becomes easier.

CCR is based on demographic data, loan and collateral data, and cheque payment performance to predict to what extent an enterprise will fulfill the repayment requirements of a loan obtained from a member.

- » Establishing an early warning system by identifying those persons who use a new loan to pay off existing debt and who therefore are increasingly incurring more debt, even though they may not have shown any signs of repayment problems in the past.
- » Ensuring responsible lending,
- » Enabling users to make more accurate decisions concerning matters such as determining credit limits, risk-based pricing, and the like,
- » Improving the quality of the lending decision systems of banks.

The Personal Indebtedness Index (PII) was developed to predict those persons who will become excessively indebted within one year following the date of the inquiry, even if they are not expected to become insolvent within the same period.

In addition to the definition of "non-performing loan" (i.e. persons who failed to pay three installments in succession, persons who are under legal prosecution, persons who are classified as an uncollectible account), which Personal Credit Rating and similar risk prediction models try to forecast, PII also detects signs of "excessive indebtedness." PII was developed to identify persons who have an outstanding non-guaranteed debt higher than TRY 250 and to predict excessive indebtedness.

### COMMERCIAL CREDIT RATING (CCR)

The Commercial Credit Rating (CCR) is an evaluation of the creditworthiness of a firm in order to facilitate commercial credit analysis. CCR is notified to member banks and other financial institutions as part of inquiries made through the Corporate Bureau, which keeps a record of credit histories.

CCR is based on demographic data, loan and collateral data, and cheque payment performance to predict to what extent an enterprise will fulfill the repayment requirements of a loan obtained from a member. CCR measures a firm's default probability within 12 months following the date of inquiry; therefore, if the CCR is high, then it means that default probability is low.

Financial institutions consider many variables in the lending process. As financial institutions take into consideration several variables during the lending process, loan repayment history is an important variable. CCR fills an important gap by providing the information needed to evaluate the loan repayment behavior of legal persons. As a result, monitoring the external behavior of loan customers becomes easier.

KKB's Inclination Scores seek to predict the likelihood of persons to use a new credit product in the future.

The Commercial Credit Rating (CCR) is calculated statistically through the analysis of detailed data contained in the Risk Report. CCR provides the following advantages:

- » Risk decisions made by lending institutions can be evaluated more accurately.
- » A standard can be established in the commercial segment.
- » Decision-making processes are shortened so that customers can access loan products in a shorter time.

KKB offers its corporate members two different Commercial Credit Rating models, derived from data modeling carried out on the Corporate Bureau System.

### COLLECTION SCORES

In order to support the data-sharing service it offers to members with analytic scoring models, KKB launched the Collection Scores service, one of its high value-added products. The "Collection Scores" service is used to calculate the risk of further delaying payment or defaulting on a loan by a customer, who has already delayed repayment, in the near future. Collection Scores are risk score cards tailored for each customer who delays their payments. With this tool, members can develop collection strategies

for overdue customers and manage collection processes more effectively. Taking into account all CRS data, members can boost collection efficiency by planning their actions to realize risk segmentation according to the related overdue period. They can also ensure to prevent customer dissatisfaction except for operational gain.

### INCLINATION SCORES

KKB's Inclination Scores seek to predict the likelihood of persons to use a new credit product in the future based on their past behavior and their performance with respect to existing credit products. This is aimed at enabling members to manage their risks effectively by reaching customers genuinely in need of loans or customers with sufficient credibility.

KKB Inclination Scores:

- » Enable KKB members to reach the best prospects rapidly with appropriate strategies.
- » Allow members to see more comprehensive data via a single score with lesser operational burden.
- » Save time thanks to the easy identification of target masses on a product basis.
- » Provide more productive, efficient management in making products available.

In 2015, KKB began calculating Inclination Scores for personal loans by modeling loan and loan application data pertaining to the personal portfolio contained in the data warehouse using statistical methods and calculations. KKB plans to calculate Inclination Scores for all personal products in the coming period.

### GEOMIS - MAP-BASED REPORTING SERVICE

GeoMIS, winner of the "Oracle 2014 Innovator Excellence Award," is a location-based data reporting service that processes address information contained in KKB data and converts it into geographic coordinates. GeoMIS enables viewing of all types of statistical data on the map by assigning different colors to different categories, which are broken down by city and town.

Comprised of various components, GeoMIS does not only consist of a database, numerical map, and reports. GeoMIS can also be effectively used as a decision support system because it visualizes common database processes, such as inquiries and statistical analysis, combining them with geographic analyses provided by the maps. Thanks to this capability, GeoMIS renders report outputs much more valuable, providing an output that boosts productivity and risk models.

The following reports can be generated through the GeoMIS Map-based Reporting System; Standard Report, which contains portfolio data of an institution pertaining to a specific period, Trend Report, which enables the tracking of changes in portfolio data of an institution within a certain time period, Benchmark Report, in which portfolio data of an institution can be evaluated against industry data, TÜİK (Turkish Statistical Institute) data and the mean of a selected benchmarking group.

The GeoMIS service is provided by KKB through the map-based reporting platform via the Oracle database and application servers. Data positioning on the map is done using geo-coding.

## 16. KKB'S PRODUCTS AND SERVICES

The contents of GeoMIS applications are expanded every year, with the introduction of new data sets.

**GeoMIS Combined maps the information related to the credit limit/risk reported by the banks and financial institutions as well as receivables to be liquidated by using the branch's province and district address information.**

The system identifies the institution of the user signing in on the system via the IP address used and displays information based on the identified institution.

### **GeoMIS Personal**

In July 2013, the members of the Credit Reference System (CRS) started using the GeoMIS application, which had only been covering the inquiries done by CRS users since the second half of 2009.

In 2014, the data set of the GeoMIS application was further enriched with the addition of personal loan portfolio data. Since that time, the application has also served as GeoMIS Personal.

### **GeoMIS Corporate & Cheque**

GeoMIS Corporate & Cheque is a product of the GeoMIS family. In August 2014, KKB expanded the data set of the GeoMIS family by adding specific information about small/medium/large enterprises and the commercial segment. As a result, GeoMIS Corporate & Cheque provides detailed reports based on cities and towns.

The GeoMIS Corporate & Cheque application allows the evaluation of limits, risks, Commercial Credit Rating (CCR) and bad cheque data pertaining to accounts contained in the Corporate Bureau (CB) and display of this data on the map based on cities and even towns. Corporate members

are able to view their data, track the changes and development of their data, and to compare it with the industry and the competition.

Reports generated by the system contain information about outstanding balances, number of accounts, average score, credit risk/bank branch, and the number of firms on credit/bank branches.

As with other GeoMIS applications, the content of GeoMIS Corporate & Cheque is continually improved. In its first year, GeoMIS Corporate & Cheque's data set was expanded with the addition of information about cheques notified to KKB.

### **GeoMIS Combined**

The newest member of the GeoMIS product family, GeoMIS Combined includes and maps information related to the credit limit/risk reported by banks and financial institutions as well as receivables to be liquidated by using the branch's province and town address information.

The following information can be viewed on GeoMIS Combined

- » The number of records, branches, customers, and customers per branch on Unit Reports;
- » The risk amount in TRY terms, risk amount excluding rediscount and accrued interest, risk amount per customer, and risk amount per branch on Risk Reports;

- » Limits in TRY terms and limit occupancy rates on Limit Reports;
- » Non-performing receivable rates and delayed credit rates on Ratio Reports.

### **LOANS ANALYSIS PORTAL (LAP)**

The Loans Analysis Portal (LAP) is an interactive reporting system that allows data reporting on the portfolio of any kind of installment loan, overdraft account and credit card products owned by natural persons; their payment performance; and comparison with the benchmarking group selected in the GeoMIS Personal application and with the sector as a whole. LAP's primary advantages offered to users include:

- » Showing the changes in an institution's loan portfolio monthly and over time.
- » Facilitating strategic decision-making by providing reports and information related to risk management, credit policies, marketing and campaign management, and collection practices.
- » Offering tailored data and content and ease-of-use via the Internet.

Using different parameters and filtering options on the reporting screens, the Loans Analysis Portal can produce about 175 million different reports on 2.5 billion lines of data. Thanks to its state-of-the-art infrastructure, LAP generates these reports amazingly fast.

KKB's corporate members who are also Credit Reference System (CRS) users can perform the following analyses on LAP:

- » Analysis of newly opened accounts
  - » Analysis of the current portfolio, and
  - » Risk analysis.
- » These three analyses are three core reporting themes available in the product.

The Credits Portfolio Analysis Service generates reports using data derived from the monthly notifications of CRS members. The system contains data pertaining to the past 13 months and report results are visually represented in diagrams.

With this application, an institution can:

- » Track the current state and development of its loan portfolio;
- » Compare data related to different portfolios, such as amount, volume, overdue payments, and collections, with competitors;
- » Use all this data to establish and test its risk management policies.

KAP (Public Disclosure Platform: "PDP")'s reporting service was prepared as a separate portal for consumer finance companies. The companies were provided the opportunity to receive data from the PDP based on product and under the heading they prefer. In addition to the newly opened accounts analysis, current portfolio analysis, and risk analysis reports that they can already receive, consumer finance companies can prepare and use reports in three main products: vehicle loans, mortgage loans and consumer loans.

### **CHEQUE ANALYSIS PORTAL**

Cheque Analysis Portal is an interactive reporting environment that enables KKB members to compare their cheque numbers with the "benchmarking group" that they will define, and the "sector in general."

Through the reports prepared with the data obtained from the daily check notifications of the Cheque Analysis Portal, they can:

- » Compare the number of cheque customers using cheques for the first time with competitor institutions;
- » Have information about the ratios and trends of customers who issue bounced cheques in their customer portfolio;
- » Monitor the rates of the cheques whose backs are written and subsequently paid, on a monthly basis with the Vintage analysis;
- » Measure the ratio of bounced cheques during submission, and how loyal cheque customers are, to their payments;

- » Have information about the ratio of up-to-date bounced cheques and on how much of the bounced cheques have been paid;
- » Compare the ratio of cheque customers who issued a cheque for the first time, and who issued a bounced cheque for the first time, with the sector in general as well as with a peer group defined by the institution itself;
- » Reach cheque index distribution of the cheque customers.

### **ADDRESS PROCESSING SERVICE**

The address formatting infrastructure used in GeoMIS, the map-based reporting system launched in 2013, started to be made available as a standalone service in line with the needs of KKB members in 2014.

This application contains a control to update address information, such as street names, towns, and similar details by geocoding the customer address data with the bank, adding the geocode data to the address data, and accurately defining the newly added addresses into the system.

The Address Processing Service provides the following benefits:

- » Collective Processing of Customer Addresses: Existing bank customer information can be formatted; changed information such as street name, town, and the like are updated and missing data completed; and geographic coordinates are added to the address data (geocoding).
- » Sharing the Up-to-date Address Database with Members: In order to ensure accurate data entry of new addresses, Turkey's address database is uploaded into the member system and integrated with the address entry screens. KKB assigns coordinates to each address entered. KKB also provides a reverse geocoding service, the process of back coding of a point location (i.e. latitude, longitude) to a readable address or place name.
- » Mapping Service: Any specific data relating to a member can be mapped using a function run by KKB.

## 16. KKB'S PRODUCTS AND SERVICES

TARDES contains a data sharing, system-ready infrastructure for the banks and financial institutions extending loans to the agricultural industry.

TARDES provides an important platform and information service to financial institutions, enabling them to make systematic agricultural loan evaluations based on accurate, up-to-date data, without the need for financial institutions or specialist teams.

### AGRICULTURAL LOAN ASSESSMENT SYSTEM (TARDES)

In 2013, KKB launched the Agricultural Loan Assessment System (TARDES), which contains a data sharing, system-ready infrastructure for banks and financial institutions seeking to extend loans to the agricultural industry.

TARDES provides an important platform and information service to financial institutions, enabling them to make systematic agricultural loan evaluations based on accurate, up-to-date data, without the need for specialist teams.

TARDES offers KKB members the following benefits:

- » Reliable, up-to-date, and detailed cost tables created by expert staff;
- » Simultaneous evaluation of different production and/or cultivation by the same producer;
- » The ability to extend loans with different maturity dates depending on the types of production and agricultural products;
- » Evaluation of agricultural production by taking into account a producer's non-agricultural income and expenses;

- » Inclusion of personal information as well as production and income-expense data of other persons or entities that may impact loan repayment in a single application;
- » The ability to offer a general credit limit taking into account a producer's agricultural and non-agricultural, commercial, and personal activities and ability to repay;
- » Prevention of the extension of loans that exceed a producer's need and ability to repay;
- » Evaluation of short-, medium- and long-term loans all-in-one;
- » Minimal IT and staff investment required by lending institutions;
- » Automatic data input from the Farmer Registry System included;
- » A flexible lending infrastructure tailored for financial institutions, enabling them to enter models and parameters into the system in line with their credit policies;
- » The capability to send notification emails to users as the maturity date of a product, for which a limit has been proposed, approaches;
- » Time savings by blocking applications for products that do not qualify for a loan extension;
- » Evaluation of a producer's loan requests for non-agricultural purposes through the personal loan category.

The Farmer Registry System (FRS) requires all farmers to be registered in a central database in order to monitor the agricultural support programs granted.

Thanks to the Agricultural Loan Assessment System (TARDES), developed jointly by the Frankfurt School and KKB and sponsored by the European Bank for Reconstruction and Development (EBRD), cost, income and maturity calculations have become much easier.

TARDES helps financial institutions save time and manpower by providing information compiled and evaluated by a professional, impartial, and expert team. It also enables financial institutions to establish a standard, product-based evaluation system internally. As a result, TARDES significantly contributes to the development of the agricultural industry.

### FARMER REGISTRY SYSTEM (FRS)

The Farmer Registry System (FRS) requires all farmers to be registered in a central database in order to monitor, inspect, report, and inquire about agricultural support, and to ensure evaluations are sound and accurate.

FRS is a combined system of systems, used to keep records of personal information and assets (e.g. agricultural land, livestock, inputs, and the like) of farmers actively engaged in agricultural activities, along with product design and average agricultural productivity. FRS enables the implementation, monitoring and inspection of

agricultural support programs; it is also used for the development of agricultural policies.

FRS Inquiry Screens enable those KKB members who do not use the TARDES loan module to inquire about FRS data, compiled by the General Directorate of Agricultural Reform and used to update, inspect, and monitor farmer related data.

### TRADE REGISTRY SHARING SYSTEM (TRSS)

The Trade Registry Sharing System (TRSS) enables financial institutions to electronically monitor their customers' up-to-date trade registry information published in the Trade Registry Gazette.

Through TRSS, users can access amendments published in the Trade Registry Gazette on a daily basis using their preferred method. The application allows for both individual and multiple inquiries as well as the use of proactive notification methods.

The Multiple Inquiry option enables users to retrieve information about several customers at once. Users can either retrieve information about all types of announcements or select announcements in a specific category.

The Proactive Notification service sends members daily notifications about selected types of announcements concerning their customers in the Corporate Bureau and newly established firms. The related notification file is sent to the FTP address.

Institutions using the Proactive Notification service are now able to determine the daily notifications they want to receive by entering specified criteria into the system.

### IBAN VALIDATION SERVICE

Fast, secure, and accurate money transfer via financial institutions is becoming increasingly important for customers in today's fast-paced business world.

IBAN Validation Service minimizes any negative incidents related to money transfers thanks to the inquiry and confirmation options it offers.

KKB's IBAN Inquiry feature enables customers to view masked data – such as name/surname, company name – about the real person or the legal entity that owns the IBAN, thus helping customers avoid incorrect money transfers.

KKB IBAN Confirmation feature is a verification service that can be used when the IBAN and IBAN owners' Turkish ID/Tax numbers are known but identity verification cannot be performed. Users can check whether the match between the IBAN and Turkish ID/Tax number is correct by inquiring it on KKB.

KKB's IBAN Validation Service aims to:

- » Prevent erroneous money transfers,
- » Cut operational costs,
- » Reduce time costs,
- » Provide customers with a secure transaction platform, and
- » Increase customer satisfaction.

## 16. KKB'S PRODUCTS AND SERVICES

KKB Unknown Number Service is an unknown number service that facilitates reaching customers in a shorter period of time.

The Electronic Letter of Guarantee Platform transfers traditional paper-based letters of guarantee issued by banks to the electronic environment while ensuring that all transactions made throughout the life cycle of an LoG can be executed electronically.

### **KKB UNKNOWN NUMBER SERVICE**

KKB Unknown Number Service is an unknown number service that facilitates reaching customers in a shorter period of time, by enriching the customer address information of KKB, when the customers do not have a phone number, the correctness of their contact information is in doubt, or their contact information is incorrect.

The following is provided under the KKB Unknown Number Service:

- » With Standard Inquiry, current and potential customers can be reached using more precise contact information via the name-surname-address (province/town) information obtained through the inquiry conducted by using the phone numbers registered by the institution itself, it is also possible to communicate with customers who do not have contact information, or who cannot be reached on their registered numbers, via the numbers to be obtained via name-surname-address (province/town) information.
- » The Address Comparative Inquiry is designed to provide number information through name, surname, and full address. This inquiry type allows coupling proximity of the inquired address to be measured by assigning a score to the phone number submitted as the answer, and to the address in the same inquiry where this number is registered.

- » The Verification Inquiry ensures that the current name, last name, phone number information held by the institution is confirmed with the information registered in the directory service. An accuracy score is given to the full address information.

### **ELECTRONIC LETTER OF GUARANTEE**

The Electronic Letter of Guarantee transfers traditional paper-based letters of guarantee issued by banks to the electronic environment while ensuring that all correspondence made throughout the life cycle of an LoG can be executed electronically.

All transactions that can be made for letters of guarantee created in paper form can also be executed for the Electronic Letter of Guarantee.

Systems integration works between banks and intermediary institutions that are parties to the project went into a production environment on January 5, 2018. The first Electronic Letter of Guarantee was transferred between VakıfBank and Eximbank on October 4. All banks are working to complete their integration processes with this important project – which is a revolutionary step forward in the Turkish banking sector.

The Letter of Guarantee Status Inquiry (LGSİ) service helps instantly check whether the letter of guarantee is still valid without the need for contacting the issuing bank, and therefore guarantees savings on time and operational costs.

Real sector firms that are beneficiaries in an Electronic Letter of Guarantee transaction, can follow the status of their letters through Findeks. The status of the letter can be displayed and the stages of the processes between the payer and the bank can be monitored.

The Electronic Letter of Guarantee also provides many advantages in terms of both the beneficiary and the payer. The most prominent of these advantages is faster, safer transactions with minimal operational costs.

All the functions in the life cycle of the standard letter of guarantee – such as compensation claim, request for restitution/release, maturity update, expiry date and status inquiry – are also available in the Electronic Letter of Guarantee.

### **LETTER OF GUARANTEE STATUS INQUIRY (LGSİ)**

The Letter of Guarantee Status Inquiry (LGSİ) service enables customers who have obtained a letter of guarantee from a bank to check whether the letter of guarantee is still valid with the issuing bank. The service allows for inquiries using parameters such as "bank name," "branch name," "row number," "amount," "currency" and "expiration date."

Institutions using the LGSİ service save time and cut operational costs by instantly inquiring about the validity of a letter of guarantee without the need to contact the issuing bank.

Thanks to the system, which allows the validity of a letter of guarantee to be checked instantly, fraud attempts can be prevented as well.

KKB member institutions and corporations can use the LGSİ service, which mainly targets public entities and institutions that accept a large number of letters of guarantee, via web screens specially designed for this application. Users can make online inquiries using banks' updated letters of guarantee databases, which are integrated with the system.

LGSİ covers all letters of guarantee issued to enterprises based in Turkey. In this online/real-time application, data flow from/to the banks that issue letters of guarantee is achieved through web-based service integration.

### **CENTRAL DECISION SUPPORT SYSTEMS (CDSS)**

Serving as a data-sharing platform since its foundation, KKB now enables execution of the entire decision automation by means of cloud technology via KKB through the Central Decision Support Systems (CDSS), which began to be offered to the members in 2014.

CDSS is a decision automation system used by institutions that deliver every type of decision – including application management, risk/collection, credit monitoring, early warning services and the like – related to the services provided by them to their customers, in a fast, efficient, and standardized manner. The most important downside to these systems, despite their many advantages, is that purchase, installation, and operational costs can be significant.

Delivering this service centrally, KKB aims to provide institutions with quick, low-cost access to these systems.

KKB enhances any information sent by a member when a decision is required, processes it through CDSS, and then sends the final decision to that member. This way, members can benefit from this state-of-the-art technology, which was designed to reduce installation costs and implementation time. Central Decision Support Systems (CDSS) are effectively used by both the real sector and the finance industry. CDSS can be used in several business areas, such as Application Management, Customer Management, Limit Management, and Collection Management, where decisions must be constantly updated and optimized to adapt to the rapidly changing business environment. CDSS features the following advantages:

## 16. KKB'S PRODUCTS AND SERVICES

Serving the finance industry for the past 10 years, SABAS enables members to share information about malicious attempts and take necessary measures.

Deposit accounts opened by using wrongful information are shared within SABAS, which can be integrated with IFAS, and is made accessible for all relevant departments of member institutions.

- » Requires minimal IT resource since the technical infrastructure is provided by KKB;
- » Shortens integration processes to realize projects, thanks to the advantage of using an existing service;
- » Reduces costs with per-transaction pricing;
- » Enables business units to make decisions independently of the IT Department, thanks to the new generation Strategy Design Studio;
- » Compiles and consolidates KKB data used in CDSS processes, which use KKB's know-how and technology;
- » Conducts inquiries on all reports received from KKB through inquiry.

### PRESCRIBED ACCOUNTS

With this service, information about prescribed deposit accounts, participation funds, trust and accounts receivable are collected from the banks that are members of the Banks Association of Turkey (TBB) and Participation Banks Association of Turkey (TKBB); consolidated; and published on a common platform (i.e. the website) for easy access by customers.

Prescribed Accounts information is published every year in early February and can be accessed by all financial services customers until June.

### FALSE INFORMATION/DOCUMENT/DECLARATION/APPLICATION ALERT SYSTEM (SABAS)

Serving the finance industry for the past 10 years, the False Information/Document/Declaration/Application Alert System (SABAS) enables members to share information about malicious attempts to use wrongful information and related risk factors under a defined scheme and to take necessary measures.

Thanks to the information sharing technique and platform, developed by KKB, and setting SABAS apart from other similar systems used around the world, members are able to share facts, findings and evidence related to crimes such as forgery, fraudulence, identity theft, money laundering, and the like.

SABAS is structured around five main objectives:

- » Protecting citizens and consumers from risks and victimization by preventing the use of their information, documents, possessions, and property by others (e.g. identity thieves, money launderers, impostors, swindlers, and the like),
- » Informing KKB members about actual or potential risks arising from malicious attempts in order to protect them against such risks or reduce their loss or damage,

- » Enabling KKB members to exchange information under standards and rules that are free of personal comments, opinions, or judgment,
- » Protecting KKB members from becoming victims of crimes, which may have more destructive consequences than that of the malicious attempts described under SABAS,
- » Enabling KKB members to minimize their risks, thanks to SABAS, while protecting natural persons and legal entities from becoming victims of such attempts.

### INTERNET FRAUDS ALERT SYSTEM (IFAS)

Scammers can obtain customers' online banking usernames and passwords and use this information to transfer money to their accounts, which they usually open using counterfeit identity documents. This crime has become quite common of late. Even though banks use highly advanced security systems to prevent such attempts, criminals continue to develop new methods to bypass these systems.

Developed by KKB, the Internet Frauds Alert System (IFAS) primarily aims to enable communication between member corporations regarding Internet fraud. To that end, requests to block an account in the case of money transfer scams can be transmitted via IFAS. This way, more effective communication can be established between corporations and all kinds of information regarding transactions can be stored in the data processing system.

Given that money transfers can become quite complex, an automatic graph-drawing feature was added to the system to facilitate the investigation of such incidents. This feature is used to create a flow diagram for each money transfer scam.

Another important feature of IFAS is that it can be integrated and operated in parallel with SABAS. Criminals generally use counterfeit documents to withdraw the stolen money. In online fraud, perpetrators generally open deposit accounts using false identification documents to withdraw the money they have transferred from customers' bank accounts. Data pertaining to such accounts are shared within SABAS so the relevant departments of corporate members can access this information. Hence, information used previously for fraudulent purposes and detected by IFAS can never be used again.

### APPLICATION FRAUD ATTEMPT DETECTION AND PREVENTION SERVICE

The objective is to create a national database of loan application data provided by member institutions and offer protection to the entire industry.

The Fraud Attempt Detection and Prevention Service provides for a much safer operational environment when compared to anti-fraud controls undertaken by each institution separately. This project aims to minimize losses incurred by financial institutions as a result of application fraud.

The Fraud Attempt Detection and Prevention Service will run as a cloud-based application via KKB; system participation will be easy and low-cost for financial institutions. Another great advantage is that institutions will share the licensing expenses. The system is being designed to process both exclusive and shared rules and data.

The new system will initially be activated for lending institutions. Subsequently, it is expected to expand and become a national information-sharing platform with the participation of different industries.

### LOAN UTILIZATION INSTANT SHARING SERVICE (KAPS)

The Loan Utilization Instant Sharing Service (KAPS) is designed to prevent the obtainment of loans by a person from banks and financial institutions on the same day above his/her creditworthiness and to determine related fraud cases.

The service allows the institution to know if a customer has obtained any other loans within 48 hours at the time of utilization of the loan. It enables prohibiting the person from obtaining loans above their solvency while preventing a type of fraud commonly perpetrated in the market.

### BRSA PRODUCT AND SERVICE FEES PORTAL

BRSA Product and Service Fees Portal provides financial consumers with information on any fees, commissions and expenses charged for retail products and services by banks other than interest and profit share in a transparent, legible, and comparable manner.

All fees charged by banks to retail consumers are entered to the system in the same format, and data can be updated simultaneously in case of any changes to such fees. The portal enables users to review and compare banking product and service fees in a single format, regardless of the varying fees charged by banks.

# 17. OUR PRODUCTS AND SERVICES OFFERED ON BEHALF OF TBB RISK CENTER

Service Name	2013	2014	2015	2016	2017	2018	2019
Credit Limit Credit Risk Inquiry and Sharing Services	●	●	●	●	●	●	●
Sharing Information about Protested Bills	●	●	●	●	●	●	●
Bounced Cheque Inquiry and Information Sharing Services	●	●	●	●	●	●	●
Individual Cheque Inquiry	●	●	●	●	●	●	●
Risk Center Customer Report Service	●	●	●	●	●	●	●
Credit Reference System (CRS)		●	●	●	●	●	●
Corporate Bureau System (CBS)		●	●	●	●	●	●
Individual Customer Objection Assessment System (Individual MIDES)		●	●	●	●	●	●
Corporate Customer Objection Assessment System (Corporate MIDES)		●	●	●	●	●	●
CRS Information Verification System		●	●	●	●	●	●
Cheque Report Raw Data Presentation		●	●	●	●	●	●
Risk Report Raw Data Presentation		●	●	●	●	●	●
Bounced Cheque Warning System		●	●	●	●	●	●
Inquiry and Warning about Entities Prohibited from Participation in Tenders		●	●	●	●	●	●
Data Sharing about Derivative Transactions		●	●	●	●	●	●
Data Updating Application		●	●	●	●	●	●
Data Validation and Sanction Application		●	●	●	●	●	●
Acceptance – Rejection Notifications Related to Loan Applications		●	●	●	●	●	●
Sharing of Internal Rating Scores		●	●	●	●	●	●
Rating Scores Sharing Service		●	●	●	●	●	●
Official Institution and Customer Information Request Services		●	●	●	●	●	●
Member Request Management Services		●	●	●	●	●	●
Risk Center Bulletin and Statistics Publication Services		●	●	●	●	●	●
Paid Bills Inquiry			●	●	●	●	●
Sharing Information about Cheques under Interim Injunction			●	●	●	●	●
Sharing Information about Companies that have Declared Bankruptcy/Suspended Bankruptcy/Debt Composition			●	●	●	●	●
Sharing Service about Customers Banned from Using Cheques			●	●	●	●	●
Customer RA Personal Record Search			●	●	●	●	●
Cross Cheque Relations Inquiry Service			●	●	●	●	●
Credit Insurance Inquiry Service				●	●	●	●
CTMCRS Inquiry Service					●	●	●
RC Warning Services					●	●	●
Force Majeure Inquiry					●	●	●
BKM Member Merchant Turnover Information Inquiry					●	●	●
Individual Inquiry Reports						●	●
Telecommunications Information Inquiry						●	●
Foreign Currency Credit and Income Inquiry						●	●
Retroactive CRS Inquiry							●
Provision of Risk Center Report via the E-State Gateway							●

Credit Reference System is an information-sharing platform, through which detailed data about personal loan products is collected from Risk Center Members and shared with banks and financing companies.

### CREDIT LIMIT-CREDIT RISK INQUIRY AND INFORMATION SHARING SERVICES

Risk Center members submit and share information about credit limits extended to natural persons and legal entities and associated credit risk, in addition to accounts receivable to be liquidated, via this system on a monthly basis.

Information is collected from the members under the following categories:

- » Credit Limit: Credit limits extended to real persons and legal entities for cash and non-cash loans, funds, and other accounts receivable with respect to their activities.
- » Credit Risk: Receivables arising from cash and non-cash loans and funds extended or mediated to natural persons and legal entities, other accounts receivable with respect to their activities, and associated interest and profit shares.
- » Receivables to be Liquidated: Loans and other receivables classified as frozen receivables by banks. Receivables to be liquidated by leasing, factoring, and financing companies, and accounts classified as uncollectible.

Information collected via this system is consolidated per account and shared with members that have sent notifications about these accounts. Individual inquiries are also possible via the web screen or the web service.

Through this system, the following information is also shared with the members: Information notified to the Risk Center by TMSF (Savings Deposit Insurance Fund of Turkey) regarding credit limit, credit risk and accounts receivable to be liquidated. Information about risks associated with commercial paper issues and principal debt arising from bills issued through the Central Registry Agency.

The Credit Limit-Credit Risk-Receivables to be Liquidated (CLCR) system launched in 2013 provides comprehensive information required by members to evaluate credit risk.

With adjustments made to the CLCR system in 2019, new risk codes have been introduced for the notification of re-structured receivables.

### SHARING INFORMATION ABOUT PROTESTED BILLS

Members notify the Risk Center about bills protested for non-payment and bills of which protest is withdrawn once every 15 days. Personal information of the debtor, address and amount stated on the bill are recorded in the system. Notifications sent by banks are consolidated and shared collectively with Risk Center members via the File Transfer System. Studies have been initiated to provide and share, on a daily basis, notifications on protested bills, bills with withdrawn protests, paid bills,

and long-term bills in a single format, and via the web service. The plan is to complete and deploy the developments in 2020.

### BOUNCED CHEQUE INQUIRY AND INFORMATION SHARING

In the Bounced Cheque Warning System, information about cheques recorded as dishonored by banks and their account holders, and information about cheques paid after being recorded as dishonored and their account holders are notified to the Risk Center on a daily basis, regardless of the cheque amount.

It is possible to run both individual and multiple inquiries about bounced cheques notified by members:

Collective Sharing: Bounced cheque data submitted by members is consolidated and shared collectively with all members of the Risk Center via the File Transfer System.

Individual Inquiry: Results of individual inquiries can also be shared with all members, whether they are customers or not, via the Risk Center's web applications.

### INDIVIDUAL CHEQUE INQUIRY

This service enables Risk Center members to inquire about cheques recorded as dishonored as well as cheques paid after being recorded as dishonored.

### CREDIT REFERENCE SYSTEM (CRS)

Credit Reference System is an information-sharing platform, through which detailed data about personal loan products is collected from the members of the Risk Center and then shared with banks and financing companies.

Banks and financing companies that are members of the Risk Center can access online within several seconds via CRS inquiry: Data on all open accounts under which a consumer is "debtor" and "guarantor," Data on all closed accounts of the last five years; Data on applications made during the last six months; and Loan repayment performance data pertaining to the last 36 months.

## 17. OUR PRODUCTS AND SERVICES OFFERED ON BEHALF OF TBB RISK CENTER

Featuring individual and collective inquiry methods, the Credit Reference System allows users to reach all individual loan information by credit type and account under which the consumer is debtor and guarantor.

**The Credit Reference System helps encourage retail loan customers to make regular payments and extends the utilization of loans.**

With the ability to access any information regarding the overall credit risk and repayment habits of any consumer by using CRS, financial institutions can make any risk decision pertaining to their customers by relying on concrete data.

The CRS Collective Inquiry service allows users to make group inquiries on the portfolio of personal loan customers and to manage risk effectively. As a result, financial institutions can make their loan decisions rapidly (e.g. extend loans by SMS) and offer their loan products rapidly to the right customers under the right conditions.

Thanks to this advantageous system provided by KKB, the finance industry can grow in a healthy manner and consumers are provided with the financial support they require on a macro scale.

Members transmit the data of customer loan repayments in the prescribed details and format for the present and past on a monthly basis to the CRS. KKB transfers the personal loan product data received from members in accordance with a standard structure to the CRS database in its original state without any modification, consolidation, addition, or other alteration and opens the data to share with the other members. Besides, the information contained in the risk reports comes from this data pool.

Thanks to the CRS Emergency Update Application, members are able to instantly update the financial information and personal information of their credit accounts, delete guarantors and additional card users and make credit deletions without waiting for the next daily notification.

The Credit Reference System ensures minimizing personal credit risk, boosting credit volume used by measuring credit risk, making more rational, faster, and healthier credit and limit decisions. The system also encourages individual credit customers to pay on a regular basis and enables loan utilization to be widespread.

CRS is not a blacklist; it also contains positive loan repayment data. Consequently, customers have the opportunity to introduce themselves easily to an institution with which they will work for the first time. While the loan accounts are updated by the members on a daily basis, application records are created and opened to sharing instantly.

After operating with the monthly data reporting and update system until June 2015, CRS began to be updated daily as of that time. In CRS, where millions of accounts are recorded, credit information and payment performance data were ensured to be

uploaded to the daily system. With more current data, it became more likely for members to make healthier credit decisions more effectively.

As of July 2016, CRS notification was initiated by the asset management companies as well as banks and consumer financing companies, enabling existing CRS data to be enriched.

As of October 2017, personal and communication data, which is only reported during the opening of an account, began to be received on a monthly basis. Thus, the DVS system was given the capability to be fed with updated personal and communication data.

### CORPORATE BUREAU SYSTEM (CBS)

The Corporate Bureau System (CBS) is an information-sharing system that includes commercially qualified credit information of the real person and legal entity, customers.

Launched in 2005 as a distinctive service, CBS offers an extraordinarily rich data set for use by members to perform a risk assessment on a legal entity. With the Collective Inquiry function added to the system in November 2013, members can easily update the portfolio at certain periods.

The content-rich system facilitates the sharing of an extensive range of data, including identity details of real persons and legal entities, information about relations on a capital basis, loan account and repayment data, collateral information and bounced cheque data.

As the number of members who provide information to the system increases, the Corporate Bureau System is being used more intensively. CBS has become an important tool in the credit assessments of KKB-member institutions regarding their corporate customers. As a result of a project carried out to enrich the data of the corporate bureau in 2013, corporate inquiries now include the following: In addition

to the total corporate limit, information on group limit, group risk, cash and the non-cash limit breakdown and general revision maturity are shared.

In 2014, a function was added to the CBS to enable institutions to perform any updating, deletion, and correction on the Corporate Bureau Urgent Updating screens when there is any missing or erroneous data transmitted to the CBS without waiting for the next notification month. Thanks to the system, where objections received and answered via MIDES are listed, KKB members can make updates without waiting for the next month's notification.

The first phase of the CBS Improvement and Simplification initiative commenced in 2017. This project enhanced data diversity within CBS and further improved the system's data uploading and inquiry performance.

Under this effort, KKB plans to enter Payment Performance data to CBS, just like in CRS, and share the Number of Days of the Biggest Delays in Payments within the Period for any given loan, going back as far as 36 months.

Financial leasing companies that were not in the CRM previously were included in the system as of April 2018; factoring companies were included as of November 2018. Asset management companies also started CRM notifications as of April 2019. Additionally, turnover and asset size percentiles received from the Revenue Administration started to be shared on CRM as of September 2019.

### CUSTOMER OBJECTIONS HANDLING SYSTEM (MIDES)

The Customer Objection Handling System (MIDES) allows automatic transmission of the objections related to the information shared within the CRS and CBS to the member who registered the record.

Thanks to its construction, objections made by the customer: Through the Personal MIDES application in respect of their data shared in the CRS, and Through the Corporate MIDES application in respect of their data shared in the CBS are handled and concluded in a short period of time. If, as a result of the examination, the determination is made that there is a problem with the shared data, the necessary correction is carried out without a request within a short period of time.

MIDES has the distinction of being the fastest system in the world in terms of examination of and responding to consumer complaints when compared to similar systems. Although Risk Center member banks are allowed a maximum of 24 hours to respond to objections made, the actual response time is less than two hours.

In 2018, efforts were made to code the current functions of the individual MIDES application with new technology in order to better meet the developing and changing needs of members.

In parallel to the start of CRS notification and CBS notification by asset management companies in 2016 and 2019, respectively, systematic developments were completed for the submission and evaluation of the objections against the asset management companies' information.

### DATA VERIFICATION SYSTEM (DVS)

The Data Verification System (DVS) is a KKB platform that allows members to check the accuracy of the information declared by a consumer who applied to it; complete any missing information of existing customers; and update any outdated data of the customers. DVS is used very intensively by KKB members.

Along with the start of CRS notification by asset management companies in 2016, this information was used to feed the IVS (Information Verification System).



## 17. OUR PRODUCTS AND SERVICES OFFERED ON BEHALF OF TBB RISK CENTER

Cheque Report Raw Data Presentation Service provides access to information regarding the past payment performance for credit products.

The report presented by the System includes detailed information about cheques submitted, cheques that bounced but subsequently paid, and details in regard to the dishonored cheques paid in 1-month, 3-month, and 12-month intervals.

### CHEQUE REPORT RAW DATA PRESENTATION SERVICE

This system provides access to the historical payment data of a cheque issuer. The report includes detailed information about the banks where there is a cheque account, cheques submitted, cheques that bounced but subsequently paid, and details in regard to the dishonored cheques paid in 1-month, 3-month, and 12-month intervals.

In addition to dishonored and paid cheques, the Cheque Report also contains information about post-dated cheques and open cheques. As KKB began collecting information on Postdated Cheques and Open Cheques from its members, the Cheque Report now contains information about issuers' post-dated and open cheques, in addition to dishonored and paid cheques.

The system now allows for the tracking of a person's performance as a "bearer" in the reports that are offered to members for "inquiry" purposes. In addition to these reports, the Cheque Report Raw Data Presentation System presents information about cheques payable to the issuer at 1-, 3-, and 12-month intervals; the number/amount and ratio of cheques paid upon presentation; the number/amount and ratio of cheques that are dishonored but subsequently paid; the number/amount of cheques that are dishonored and still unpaid.

Thanks to the developments undertaken in 2019, members are able to access cheque scores via the cheque report raw data web service.

### RISK REPORT RAW DATA PRESENTATION SERVICE

Risk Report Raw Data Presentation Service provides information about the historical loan repayment performance of natural persons and legal entities.

Based on personal and commercial loan data that the Risk Center periodically collects from corporate members via CRS and CBS, this report contains the following information: Data such as limits, risks, number of credit accounts of real persons and legal entities, as well as member information who has an account, their past credit payment performance, number of financial institutions that make the notification, delay and follow-up are included.

The limit and risk information that appears in financial leasing and factoring companies are fed from the CLCR system and presented in the Risk Report.

Improvements made to the individual inquiry service of the Risk Report in 2018 included: grouping under the single heading of services that were previously separate for member types in the current structure; adding data for asset management companies; enriching individual credit data. Also, the current service quality was upgraded by making improvements such as simplifying "input" information used in inquiries.

The Cross Cheque Relations Inquiry Service allows inquiries about the mutual cheque relations between the issuer and the last endorser who presented the cheque to a bank.

### CROSS CHEQUE RELATIONS INQUIRY SERVICE

This service allows inquiries about the mutual cheque relations between the issuer and the last endorser who presented the cheque to a bank.

The Cross Cheque Relations Inquiry produces a list showing the number and amount of cheques issued mutually between companies and natural persons, with detailed breakdown analyses that include: "Cheque recorded as dishonored," "Cheque paid after being recorded as dishonored," "Cheque paid upon presentation," and "Issuer's post-dated cheque."

The Cross Cheque Relations Inquiry service is provided via web applications since November 2015, with all members actively using it.

### BOUNCED CHEQUE WARNING SYSTEM SERVICE

While the information about bounced cheques is uploaded into the system on a daily basis, the system scans the issuers of these cheques in both the Credit Reference System (CRS) and the Corporate Bureau System (CBS) and produces a special warning message to inform members about the status of the bounced cheque.

Consequently, KKB provides an early warning service to its members by informing them about any potential payment problems their customers may face in the future.

### INQUIRY AND WARNING SERVICES ABOUT ENTITIES PROHIBITED FROM PARTICIPATION IN TENDERS

Announcements published in the Official Gazette related to entities prohibited from participation in tenders, an important input for the risk assessments conducted by KKB members, are entered into the system on a daily basis.

Based on this data, various services are provided to KKB-member institutions, including:

- » When an announcement is published about prohibited entities and natural persons, a warning report is produced specifically for the financial institution that serves these clients. As a result, members can be informed of announcements published about their customers without having to monitor the Official Gazette.
- » If a customer who is the subject of inquiry in the Corporate Bureau has a tender ban record, then this information is also provided at the time of the inquiry.
- » One can run a customer-based search via the web application called Transactions Related to Entities Prohibited From Tenders, and access all announcements published within the year.

### DATA SHARING SERVICE ABOUT DERIVATIVE TRANSACTIONS

Under this service, KKB shares data about futures, options and similar derivative contracts sold by banks to natural persons and legal entities one business day before the notification date,

including information about limits and risks on a semimonthly basis. Data sharing about derivative transactions can be made either collectively or individually.

- » Collective Sharing: Data about derivative transactions is consolidated for each customer and shared collectively with members that have sent notifications about these customers related to derivative transactions and CLCR Collective Sharing:(Credit Limit-Credit Risk-Receiveables to be Liquidated) on the next business day after the notification.
- » Individual Inquiry: With this option, one can inquire about Credit Limit-Credit Risk-Receiveables to be Liquidated and data about derivative transactions.

### PAID BILLS INQUIRY SERVICE

Member banks notify the Risk Center of paid bills and debtor information on a semimonthly basis. Personal information of the debtor, address and amount stated on the bill are recorded in the system.

Regardless of customer status, information about paid bills is shared with all members via the web screen application, which enables individual inquiries. Studies have been initiated to provide, on a daily basis, notifications about, and share, protested bills, bills that are no longer under non-payment protest, paid bills, and forward bills in a single format, and via the web service. The plan is to finalize the studies in 2020.

### SHARING INFORMATION ABOUT CHEQUES UNDER INTERIM INJUNCTION

This service includes: If a court granted an interim injunction on a cheque. If a court lifted an interim injunction order. If a court ordered the cancellation of the cheque by banks on a daily basis, and shared it by individual inquiry and collective feedback.

The service of Sharing Cheques Imposed under Interim Injunction enables clarification whether there is an interim injunction or cancellation decision on a cheque. With this service, inquiry can be made via the bounced cheque individual inquiry screen as well as the cheque report.

## 17. OUR PRODUCTS AND SERVICES OFFERED ON BEHALF OF TBB RISK CENTER

The RA Personal Record Change Web Service shares daily changes made at the Revenue Administration together with the type of transaction.

Credit Insurance Inquiry and Sharing Service ensures the collection of monthly limit and risk information based on customers who were insured (buyers) by, and customers who have insurance (sellers) from, credit insurance companies.

### SHARING INFORMATION ABOUT COMPANIES THAT HAVE DECLARED BANKRUPTCY/ SUSPENDED BANKRUPTCY/DEBT COMPOSITION

Information about companies that have declared Bankruptcy-Suspended Bankruptcy-Debt Composition and which was published in the Trade Registry Gazette is compiled and shared with all members of the Risk Center via the File Transfer System on a monthly basis.

### SHARING SERVICE ABOUT CUSTOMERS BANNED FROM USING CHEQUES

Court decisions related to bans on issuing cheques and opening cheque accounts are shared daily by the Risk Center with all Risk Center member banks collectively via the File Transfer System.

### CUSTOMER RA PERSONAL RECORD SEARCH SERVICE

Within the Ministry of Finance, Revenue Administration (GİB), and under the "Customer RA Personal Record Search Service," Active/Inactive status is shared with information on the identity of the customer (taxpayer), date of establishment, address including UAVT (National Address Database) code and area of activity.

The receipt of the customer's RA personal record via online inquiry not only improves the productivity on the member's side but also prevents human-driven operational errors.

In August 2016, New RA Personal Record Change Web Service was launched in addition to the existing "RA Personal Record Search service." With the addition of the Personal Record Change Web Service, the daily changes in company/person record and the type of operation are shared.

### CREDIT INSURANCE NOTIFICATION AND SHARING

This service ensures the collection of monthly limit and risk information based on customers who were insured by (buyers), and customers who have insurance from (sellers), credit insurance companies. Besides, compensation applications made by the seller to insurance companies for unpaid bills are also shared. Credit insurance information can be queried individually on the screen and via the web service.

### RISK CENTER CUSTOMER REPORT SERVICE

The Risk Center Customer Report Service provides real persons and legal entities with reports related to their loans that have been consolidated within the Risk Center and shared with the members of the Risk Center. With this service, three different reports can be generated with the information detailed below:

#### Credit Limit, Credit Risk, Receivables to Be Liquidated

This report includes information pertaining to credit and receivables to be liquidated, which is declared by Risk

Center member banks, financial leasing companies, factoring firms, consumer finance companies, asset management companies, resource organizations and other members. The report can be received in three different versions: Detailed Report, Summary Report, and Non-performing Loans.

#### Cheque Report

This report pertains to bounced cheques, cheques paid after being processed as bounced cheques, and cheques paid upon presentation, since 2009. The report includes the total number of cheques, the total amount of the cheques, bank information, which cheques are received, as well as the last 50 bounced cheques processed and paid after being processed as bounced cheques.

#### Protested Bill Report

It is the report containing information about protested bills. This report contains information about protested bills in the last five years, including bank name, branch name, record type (notification or withdrawal), bill amount, protested bill notification period, protested bill withdrawal period, and reason for withdrawal.

#### ACCEPTANCE & REJECTION NOTIFICATIONS RELATED TO LOAN APPLICATIONS

Acceptance/rejection status of the home, auto and consumer loans; credit cards; overdraft deposit account; and commercial loans, for which natural persons and legal entities have applied, and acceptance/rejection notifications related to these applications are collectively sent to the Risk Center as statistical data. This information, obtained from the banks, contributes to the CBRT's goal of fostering the development of the financial sector.

#### SHARING OF INTERNAL RATING SCORES

Using this system, those banks that are members of the Risk Center and which have Internal Rating systems notify the TBB Risk Center of credit scores assigned to customers, their risk categories and score scales. They also share this information with the Banking Regulation and Supervision Agency (BRSA).

#### SHARING OF RATING SCORES

JCR Avrasya Derecelendirme A.Ş. notifies the TBB Risk Center of the credit scores assigned to customers by Credit Rating Agencies (CRAs), which have been authorized but not directly acknowledged by BRSA, and of customers' score scales. This notification is shared collectively with all Risk Center members, whether or not they are customers of the notification service.

#### DATA UPDATING APPLICATIONS SERVICE

With the Risk Center Data Updating Applications, correction of the data notified and shared by members can be performed instantly, without waiting for the next notification period. Thanks to this service, CRS, CBS, Protested Bills and Credit Limit-Credit Risk data can be updated online. In 2016, research studies to implement credit insurance buyer and seller notifications via the application were completed.

#### DATA VALIDATION AND SANCTION APPLICATIONS SERVICE

This system automatically checks whether KKB member data notifications are performed at intervals defined for each product and below a certain error rate, and sends feedback to members so that they can take action. When an error is detected, the system imposes a sanction in accordance with the rules outlined in the Risk Center Circular.

This system provides the following benefits:

- » Improving the quality of member data by minimizing erroneous notification rates,
- » Enabling members to create data notifications in a more controlled and accurate manner,
- » Taking actions according to different types of notifications through product diversification,
- » Protecting customers by ensuring the accuracy of customer information submitted to the Risk Center.

#### OFFICIAL INSTITUTION AND CUSTOMER INFORMATION REQUEST SERVICES

The Official Correspondence Team's activities include responding to correspondence from customers as well as official institutions such as the court, prosecutor's office, police headquarters, Ministry of Finance, Capital Markets Board (CMB), Social Security Institution (SSI) and the Directorate of Execution within the legally required time frame. The team also ensures that the reports requested by the official institutions are produced accurately and completely and become ready for submission.

#### MEMBER REQUEST MANAGEMENT SERVICES

The Authorization Management Team's activities include processing membership access forms submitted by members after controlling them in compliance with the memorandum; and authorizing members to have access to the applications after the controls.

#### RISK CENTER BULLETIN AND STATISTICS PUBLICATIONS SERVICES

Seventeen reports and one bulletin are regularly published every month on the official website of the Risk Center of the Banks Association of Turkey (<http://www.riskmerkezi.org>).

Related newsletters and reports include the "Credit Limit Credit Risk (CLCR)," "Personal Loan and Credit Card" "Paid Cheque," "Bounced Cheque" and "Protested Bill" notifications made by members to the Risk Center of the Banks Association of Turkey. In 2017, content related to the "Decisions on Cheque Ban" was also included in these statistics.

The development and the size of the Turkish financial sector, including non-bank financial institutions, along with overdue receivables are analyzed with detailed breakdown analyses in these publications.

They include basic monthly trend analyses as well as special reports published in the sector for the first time, such as the number of people, overdue receivables per city, and the like.

## 17. OUR PRODUCTS AND SERVICES OFFERED ON BEHALF OF TBB RISK CENTER

BKM Member Merchant Turnover Inquiry Service provides details on receivables arising from the POS sales of the commercial enterprises of legal entities and real persons.

As part of the inquiry service, various information headings – such as member merchant TRID/TID, term (month/year), the number of banks worked with, total turnover – are shared.

### CTMCRS INQUIRY SERVICE

Company Representative Information, Shareholder Information and Capital Information as part of the Central Registry System (CTMCRS), under the Ministry of Customs and Trade, started to be shared with Risk Center members at the end of 2016.

Members can make an individual inquiry with "MERSIS number, tax identification number or TRID." Information related to stock corporations, cooperatives, individual enterprises, Turkey branch of foreign companies as well as their businesses established by associations and foundations is available within the service.

In 2018, systems upgrades enabled the sharing of tradesmen data in the Information System of Tradesmen and Craftsmen (ESBIS) via MERSIS. Additionally, information sharing was enriched by enabling results to be collected from both MERSIS and ESBIS when a MERSIS inquiry is made using TRID.

### BKM MEMBER MERCHANT TURNOVER INFORMATION INQUIRY

KKB carries out feasibility studies to receive member merchant turnover information from the BKM in monthly periods, on identity basis and in consolidated form.

As part of the inquiry service, various information headings – such as member merchant TRID/TID, term (month/year), the number of banks worked with, total turnover – are shared. All Risk Center members are able to benefit from the BKM Member Merchant Turnover Inquiry Service.

### RC WARNING SERVICES

This product enables the delivery of negative notifications to request members with a warning file through FTP. These negative notifications include different institutions' cheques, bonds, credit insurance and tender bans belonging to the individual and commercial customers who are notified by members to the Risk Center. Warnings are issued for customers who are notified by members to the Risk Center and involved in credit-limit, credit-risk, receivables to be liquidated (CLCR), individually qualified credit and credit card (CRS) or commercially qualified credits (CBS), issuers' postdated cheque applications with banks.

RC Warning Service enables the delivery of negative notifications to request members with a warning file through FTP, which includes different institutions' cheques, bonds, credit insurance and tender bans.

With the TBB Risk Center Report Service launched on March 15, 2019, via the e-State Gateway, real persons and their commercial enterprises can file report applications at [www.turkiye.gov.tr](http://www.turkiye.gov.tr).

### INDIVIDUAL INQUIRY UNIT REPORTING

This service includes applications where sharing is done based on individual inquiry. The number of individual inquiries made by members on a daily, monthly, and annual basis is shared as a summary and in detail based on member users. Besides, warning messages are created and shared in the same context with members on a daily basis according to the changes in the Trend Analysis Report and daily inquiries.

### FORCE MAJEURE INQUIRY

Customers who are exposed to events defined as force majeure are notified to the TBB Risk Center on a monthly basis by Risk Center members. Under this service, which can perform individual inquiry through the web screen, collective sharing is done on a monthly basis via FTP.

### TELECOMMUNICATIONS INFORMATION INQUIRY

Debt information of real persons and legal entities who failed to pay their debts in due time was obtained from telecommunication companies at monthly intervals. The data was broken down by the number of overdue days and shared, after being consolidated, with all Risk Center members via the web screen and web service.

### FOREIGN CURRENCY CREDIT AND INCOME INQUIRY SYSTEM

The Foreign Currency Credit and Income Inquiry system gives notifications and shares information on foreign currency loans granted to legal entities resident in Turkey, loans extended to these entities from abroad with the mediation of banks, as well as their foreign currency income of the last three fiscal years.

If banks, factoring companies, financial leasing firms and financing companies extend foreign currency loans or their current foreign currency loan balances change (through reimbursement, the extension of additional loans, closure, balance update, becoming the subject matter of legal proceedings), this is instantly reported to the Risk Center via the web service.

Foreign currency credit and income information are shared individually via the screen and web service application, regardless of whether the member making the notification is a customer or not.

In 2019, new scope codes related to the notification and sharing of re-structured foreign currency credits were introduced to the application. Enhancements were made in the in-

come notification service to ensure notifications comply with the Circular on Capital Movements.

### RETROACTIVE CRS INQUIRY

Launched in January 2019, Retroactive CRS Inquiry allows members to view customers' financial information on the Credit Reference System in three-month periods.

Members are also able to access customers' information covering the past four terms via the web service.

### PROVISION OF RISK CENTER REPORT VIA THE E-STATE GATEWAY

The Banks Association of Turkey (TBB) Risk Center Report was launched on March 15, 2019, via the e-state gateway.

Real persons and real persons' commercial enterprises are now able to submit report applications by going to "Risk Center Report Application" at [www.turkiye.gov.tr](http://www.turkiye.gov.tr).

As part of the service, one report per month can be obtained free of charge; and the right to apply is renewed one month after the date of the previous application.

Users can apply for "Credit Limit and Debt Information" or "Cheque Information" reports. Users have access to the following details in the Credit Limit and Debt Information Report:

- » Debt information on bank/financial institution basis and with respect to their maturity breakdown,
- » Information about outstanding interest/commission fees, if any; the total amount of active or closed debts written as NPL by banks and financial institutions in the past ten years.
- » The Cheque Information Report contains details of:
  - » Cheques paid upon presentation;
  - » Bounced cheques that are currently unpaid;
  - » Cheques that bounced but were paid afterward;
  - » Cheques for collection/collateral by Banks; and the number of cheques leaves not yet drawn.

## 18. FINDEKS

Launched to help establish a better functioning financial system, Findeks ensures transparency and makes financial management possible for everyone.

Findeks is a financial services platform launched by KKB in 2014 to help establish a better functioning financial system in Turkey. To that end, Findeks provides individuals and corporations alike with access to credibility indicators, which the financial sector has used for years, thus ensuring transparency, and making financial management possible for everyone.

Findeks aims to help real sector companies get to know each other financially; improve their risk-taking and risk-management abilities; protect their capital and reputation; and increase their sales and competitive power. In light of the advantages provided by Findeks services, companies significantly improve the quality of their assets and contribute to the financial environment and the financial industry in Turkey.

In addition to basic products such as the Findeks Credit Rating, the Findeks Risk Report, the Findeks Cheque Report, and the Findeks QR Code Cheque Report, which cover all major financial indicators, KKB has filled some large gaps in the market with

value-added products. For example, "Findeks Rating Consultancy" provides expert advice on the improvement of credit scores. Meanwhile, the "Findeks Tracer" enables individuals to find out whether their financial and personal information is available online, through unwanted sites. The Warning Service gives alerts on changes in credit card limits and debts with all banks and Findeks Credit Rating and notifies credit applications filed.

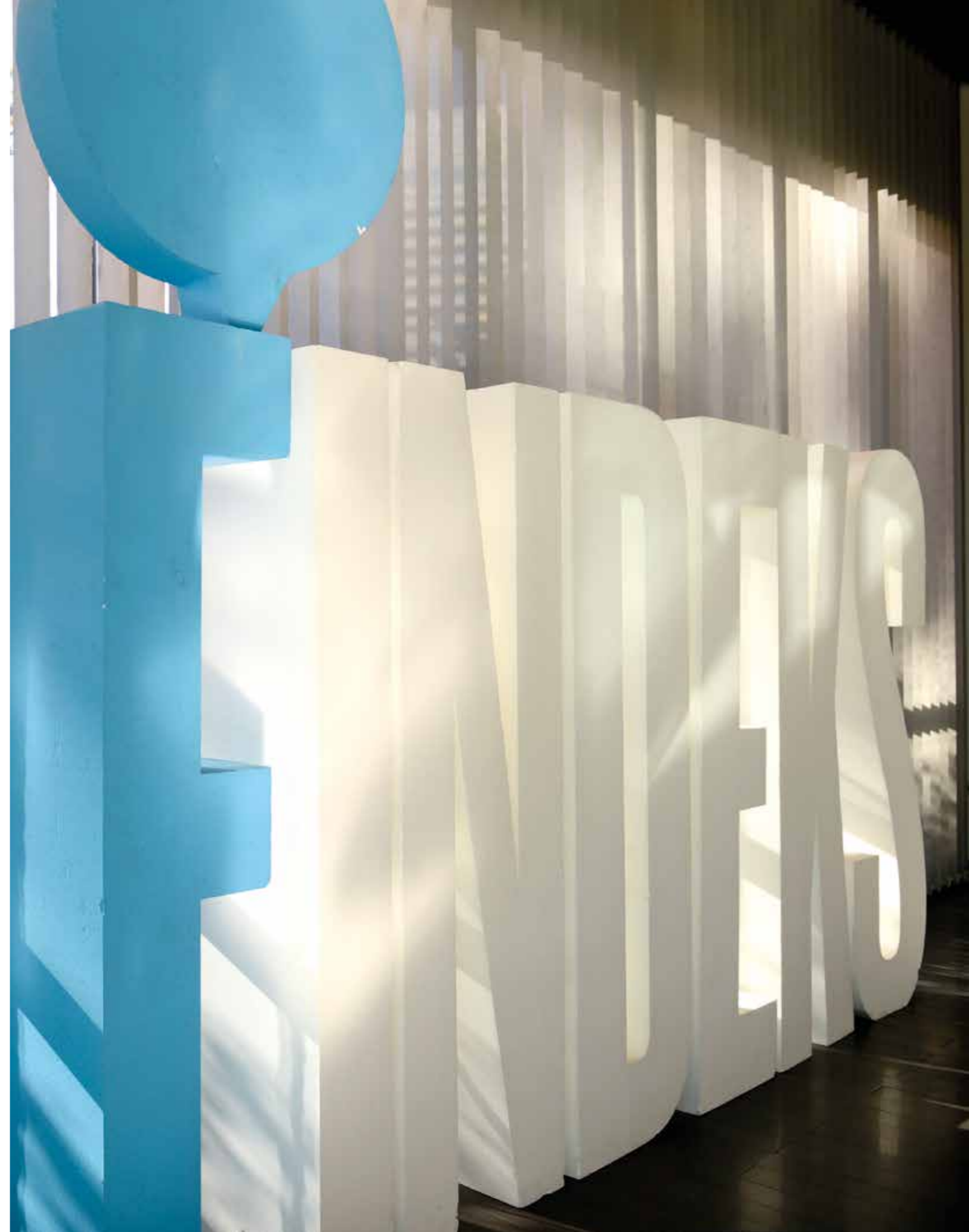
QR Code Cheque System introduced by Findeks became mandatory for all cheques by law on January 1, 2017. The QR Code Cheque System is intended to establish a more transparent and secure environment for trade, while increasing production, employment, prosperity, and trade volume. The QR Code Cheque Score launched in 2019 predicts whether the issuer will be able to pay for the cheque. QR Code Cheque Score is a predictive tool that calculates the likelihood of the issuer to pay the cheques for the coming 9 months.

A key tool for access to Findeks services, Findeks mobile application was renewed in 2019. The renewed Findeks mobile provides a next-gen home page where users can easily monitor their credit ratings and credit products at all banks. Featuring a design that facilitates access to products and service offerings, the app also offers superior customer experience for Findeks members.

Boasting a wide range of products, Findeks reaches out to customers via the mobile application, online branch, website, customer contact center, banks, and strategic partnerships. Efforts to further develop these channels are ongoing.

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**10 Million**  
**Findeks**  
**Inquiries**



## 18. FINDEKS

The Findeks Risk Report allows users to display all information about credits, credit cards and overdraft accounts on a consolidated basis.

### FINDEKS CREDIT RATING

Findeks Credit Rating has served as a reference guide for banks in their lending decisions for many years. This score is calculated based on the credit limit, risk, and payment history related to personal loans that individual customers have obtained from banks and financial institutions; credit card and overdraft deposit accounts; as well as the extent and frequency of new credit.

Findeks Credit Rating functions like a summary of the Findeks Risk Report. Banks and other financial institutions take into consideration the credit score and the payment history while assessing new loan applications and managing their existing consumer loan portfolio. They can also predict future payment performance.

Findeks Credit Rating is used by the real sector as a powerful decision-support tool. Requesting the Findeks Credit Rating, institutions improve the capability of offering their customers the right product at the right price, boost automation in decision processes, reduce operational costs, and increase customer satisfaction and profitability.

### FINDEKS RISK REPORT

This is a report allowing users to review collective information on credits, credit cards and overdraft accounts at banks, find out total debt and limit information, and track payment habits. The report covers home, auto and consumer loans, credit cards, overdraft deposit accounts, and commercial loans. All information about these products is submitted to the TBB Risk Center by financial institutions on a regular basis, compiled by KKB and included in the Findeks Risk Report. As a result, individuals and the real sector are able to access information about credit products of all banks in a single report. The Findeks Risk Report allows users to see their financial information in detail; in addition, they can view the financial performance of other persons or enterprises, if they have the approval to do so.

Risk Reports ensure a safe environment for trade, making it possible in trade relations to see the repayment history – and thus the payment habits – of the other party and take precautionary measures against accounts receivable risk.

### FINDEKS CHEQUE REPORT

The Findeks Cheque Report contains information on cheques used in the past, and cheques drawn but not yet paid.

Differently from the Findeks Risk Report, the Cheque Report shows the debt repayment behavior of a person or enterprise related to the debt they owe to sectors outside the financial industry. If a cheque bearer obtains approval from the drawer, then they can track the cheque payment behavior of that drawer. Additionally, The Findeks Cheque Report also contains information about all banks that issue cheques in Turkey. The data contained in these reports relates to the period after 2009 for bounced cheques and after 2007 for paid cheques. Data is updated daily.

### FINDEKS CHEQUE INDEX

The Findeks Cheque Index is calculated based on the past cheque payment behavior of legal entities and natural persons. The main factors affecting this index include the frequency of cheques drawn over the last 36 months, their date proximity, amounts and number. The Findeks Cheque Index ranges from 0 to 1,000 points. In the Findeks Cheque Index, if an issuer fails to pay all of the cheques, they receive a score of 0. If they pay all of the cheques when due, then they receive a score of 1,000 points. However, if there is even one cheque that has been dishonored and is still unpaid, then the Findeks Cheque Index is calculated between 1 and 500 points. If there are dishonored cheques, which have been paid later, then the Findeks Cheque Index is calculated between 501 and 999 points. The Findeks Cheque Index gives an idea about the cheque payment habits of an individual or an enterprise.

### FINDEKS WARNING SERVICE

Another distinguishing feature of Findeks is the Findeks Warning Service, which provides instant notifications on any changes in the Findeks Credit Rating, credit card limit and debt status, or credit applications made. Thanks to this service, customers can keep their finances under control and take action when necessary.

**3.5 Million**  
Findeks  
Members

The Findeks Warning Service tracks these changes in accordance with the criteria set by customers and notifies them via SMS or email.

The Findeks Warning Service allows warnings to be defined to the system. A warning message is sent to the user under the following circumstances:

- » If their Findeks Credit Rating falls below 1,400 points.
- » If their credit card debt exceeds TRY 10,000.
- » If they delay payment on one's credit cards, cheques, and the like.
- » If an application for a credit product (loan and credit card) is made in their name.

### FINDEKS TRACER

The Findeks Tracer is another exclusive benefit provided to Findeks customers. Tracer protects personal and sensitive data, including ID, contact, credit card information transmitted by the user, by running extensive scans online, including the "dark web." The user is promptly notified if such information is found on unreliable websites. In an age where more and more people share information on digital platforms, Findeks Tracer addresses a significant security need of customers.

### MY FINDEKS RATING CONSULTANT

The Findeks Credit Rating system aims to offer customers foresight to help them manage their financial lives and to ensure that commercial relationships are built on solid foundations. In recent years, a need for objective information has emerged, especially for increasing or maintaining a credit rating.

My Findeks Rating Consultant product offers personalized advice on how to increase the Findeks Credit Rating or how to maintain a high-grade rating.

### LETTER OF GUARANTEE STATUS INQUIRY

The Letter of Guarantee Status Inquiry (LGSİ) service enables customers to check the validity of a letter of guarantee, without contacting the issuing bank. Using parameters such as "bank name," "branch name," "letter of guarantee number," "amount," "currency code" and "expiration date," customers can run an online check to find out whether a letter of guarantee has been issued, and whether an active risk record exists for that letter of guarantee.

### FINDEKS QR CODE CHEQUE SYSTEM

This service enables viewing of an issuer's past cheque payment status without an approval process and controlling potential forgery of the cheque by having its QR Code scanned on the Findeks Mobile Application. Along with legal enforcement functionality, QR Code cheques may now be produced upon customer request from the bank, without consent.

As of January 1, 2017, it is now mandatory by law for all cheques to have a QR Code, and to be recorded on the Findeks QR Code Cheque System.

Thanks to the Findeks QR Code Cheque System – the first-of-its-kind in the world – customers are able to check the validity and authenticity of cheque leaves within seconds, and take precautions against accounts receivable risk, which arises from payments with cheques.

**7.7 Million**  
Findeks  
Risk Reports

## 18. FINDEKS

With the Findeks QR Code Cheque Report, the cheque payment history of an issuer can be displayed through the QR code. The report also allows validity information on the cheque leaf to be verified.

Findeks QR Code Cheque Registration System enables a record to be created with regard to the time a cheque bearer or an endorser accept a cheque.

### FINDEKS QR CODE CHEQUE REPORTS

The Findeks QR Code Cheque Report allows the check payment history of an issuer to be displayed through the QR code, which must appear on checks as of January 1, 2017. The report also allows validity information on the cheque leaf to be verified. When accepting a cheque through the Findeks QR Code Cheque Report, the cheque payment performance of the issuer can be displayed via the report generated on the Findeks mobile app. Besides, lost/stolen checks and counterfeit checks can also be detected.

### FINDEKS QR CODE CHEQUE REGISTRATION SYSTEM

The cheque bearer or endorser should create a record as soon as a cheque is accepted via the Findeks QR Code Cheque Registration System indicating the date on which the cheque is issued. The Findeks QR Code Cheque Registration System is legally supported by means of promoting its usage as of January 1, 2018.

An ill-intentioned cheque issuer will not be able to raise an objection alleging that the signatory was not an authorized person of the institution on the date of collection for a cheque that is registered in the Findeks QR Code Cheque Registration system. Therefore, checks registered in the cheque registration system may leave traces in the system as of the date of registration.

### FINDEKS QR CODE CHEQUE SCORE

QR Code Cheque Score is a predictive tool that calculates the likelihood of the issuer to pay the cheques for the coming 9 months.

The score is expressed in values standing for A, B, C, D, E, F, and G risk groups. The risk groups A, B, C, D, and E include the numerical likelihood of issuers in these groups to pay their cheques when due.

The closer the score is to A, the likelihood of the issuer to pay the cheques in the coming nine months increases. The closer the score is to E, the likelihood of payment decreases compared to the higher groups.

The group F stands for at least one unpaid cheque of the issuer, considering the cheques presented in the past 36 months.

The group G stands for the fact that all the cheques presented by the issuer in the past 36 months bounced.

For the groups, F and G, the risk of the dishonored cheque not being paid is deemed to be materialized. Therefore, no QR Code Cheque Score is calculated to show the likelihood of this risk.

QR Code Cheque Score is also provided in the Findeks QR Code Cheque Report and Cheque Report.

**3,138,288**

FINDEKS INDIVIDUAL MEMBERS

**315,729**

FINDEKS COMMERCIAL MEMBERS

**3,454,017**

TOTAL FINDEKS MEMBERS

**376,054**

FINDEKS CREDIT RATING INQUIRIES

**7,658,327**

FINDEKS RISK REPORT INQUIRIES

**276,099**

FINDEKS CHEQUE REPORT INQUIRIES

**1,787,245**

FINDEKS QR CODE CHEQUE REPORTS

**44,835**

QR CODE CHEQUE REGISTRATIONS

**10,142,560**

FINDEKS INQUIRIES

## 19. KKB ANADOLU DATA CENTER

Spanning 43 thousand m<sup>2</sup>, the KKB Anadolu Data Center in Ankara started operations after the construction works were completed at the end of 2016.



**KKB performed the business continuity testing at the Emergency Center on October 13, 2019.**

KKB Anadolu Data Center was built on a 43 thousand m<sup>2</sup> land in Ankara and started operations after the completion of construction works at the end of 2016.

In December 2016, T.C. Ziraat Bank started to relocate its systems and use KKB Anadolu Data Center as its Emergency Center ("EC").

As of April 2017, Yapı Kredi Bank completed relocating its systems and started using KKB Anadolu Data Center as the EC.

On October 13, 2019, KKB conducted its business continuity test studies, which it undertakes every year and covers the capability to provide services from the Emergency Center. With this effort, all KKB and Risk Center services were provided via KKB Anadolu Data Center for one day. All

services were moved to KKB İstanbul Data Center at the end of the day and continued to be offered from there.

As of September 2019, Garanti Bank completed system relocation and started using KKB Anadolu Data Center as the EC.

As of November 2019, two other system rooms with the same features became operational, increasing the total number of system rooms to 4. Four system rooms, spanning an area of 650 sqm in total, are now in service, with the capacity of KKB Anadolu Data Center reaching from 400 to 800 cabinets.

In December 2019, VakıfBank started relocating to the new system room to use KKB's Anadolu Data Center actively.

**KKB Anadolu Data Center is Turkey's first data center to have obtained the "LEED Platinum" Green Building Certificate, which is the ultimate level of environmental protection standard. It is now among the world's five data centers with this certification.**

The Center will primarily meet the backup and main data center service needs of the banks. The facility is a data center where infrastructure costs are shared and operational applications are centralized in the financial industry. The KKB, which offers the most advanced technologies to Turkey's financial institutions, aims to provide efficiency in technology investments by offering the services of cloud technologies platform, which will be established in accordance with financial regulations, primarily for the finance sector and later for all sectors.

KKB Anadolu Data Center comprises a data center, a support building, and a customer operation center. The facility is designed to expand with two additional data centers and another support building. KKB Anadolu Data Center is Turkey's first data center to have obtained the "LEED Platinum" Green Building Certificate, which is the ultimate level of environmental protection standard. It is now among the world's five data centers with this certification. Besides, KKB Anadolu Data Center has the TIER IV Certificate, which is a high-level uptime standard.

KKB also holds ISO 22301 Business Continuity Management System certification, which is a testimony to the fact that the quality of all processes at KKB are in accordance with this international management system

standard, minimizing the possibility of interruption of the services provided and ensuring service continuity in a short period of time in case of an interruption. Also, KKB holds ISO 27001 Information Security Management System certification. Accordingly, all processes at KKB are carried out in accordance with this global management system standard, providing the highest level of confidentiality, uniformity, and accessibility in case of a need of all information within the responsibility of the KKB. KKB Anadolu Data Center obtained ISO 20000-1 Information Technologies Service Management Systems certification in 2018. All the Center's operations, inputs and outputs of service management processes are managed with a consistent and continuously developing management system approach.

KKB Anadolu Data Center is audited every year by independent auditors authorized by the BRSA. The Center provides the necessary assurance for the supervision environment of the data center by sharing with its customers and auditors the Independent Audit Report drawn up in accordance with ISAE 3402 Type 2 Report Format at the end of the audit. With this assurance, the workload of KKB Anadolu Data Center users and auditors has been reduced in terms of both effort and time expended.

### **TECHNICAL SPECIFICATIONS OF THE KKB ANADOLU DATA CENTER**

The KKB Anadolu Data Center was designed and launched for KKB customers to securely protect, store, and manage their data. The facility is equipped with the latest technological infrastructure available.

During the design phase of the KKB Anadolu Data Center, the most sensitive issues were the creation of a backup infrastructure providing customers seamless, fast, and continuous accessibility as well as data security. Its energy and cooling infrastructure holds the certificate of Uptime Institute Tier IV design (TCCD). In November 2019, scenario tests by Uptime Institute were completed, making KKB ready for the Tier IV Facility (TCCF) certification process. In addition to advanced electricity infrastructure, the Center features ventilation systems that provide precise climatization and 24/7 cooling and humidity control in case of any malfunction. The hardware used in the Center, where energy and data cabling is made overhead the cabinet, provides high-speed support to customers.

### **QUICK AND CONTINUOUS ACCESSIBILITY**

Built-in the low earthquake risk zone in compliance with earthquake regulations and protected against lightning hazards, maximum attention is paid to the physical security of the Center. There are different levels of biometric and classical security points in the campus area where only authorized staff can enter. Access to the system room is possible after having an iris scan via the iris reader. Building and infrastructure management at the KKB Anadolu Data Center is carried out 24/7 without interruption with state-of-the-art automation and monitoring systems.

# **OUR SOCIAL CONTRIBUTION**





## 20. OUR SOCIAL CONTRIBUTION

Organizing the sixth edition of the “You Imagine, We Realize” contest in 2019, KKB aims to increase university students’ sensitivity towards social issues.



### YOU IMAGINE, WE REALIZE

In 2019, KKB organized the sixth edition of the socially responsible project ideas contest, “You Imagine, We Realize,” implemented for the first time in 2013, aiming to raise social responsibility awareness and increase sensitivity towards social issues among university students. The jury panel, which evaluated the social responsibility projects developed by university students, consisted of İbrahim Betil, Civil Society Volunteer; Yasemin Salih, Journalist; Fügen Toksü, Communication Expert; Özlem Denizmen, Businesswoman and Social Entrepreneur; Fatoş Karahasan, Academician and Journalist; Can Yılmaz, Actor, Scriptwriter and Writer; Cem Seymen, Journalist and Presenter; Kasım Akdeniz, General Manager of KKB.

Approximately 2,000 projects were submitted to the contest – where student entrants could apply between October 1, 2018, and February 15, 2019 – in the categories of environment, education, culture and arts, health, and sports, Finansal finansal literacy, and society. During the award ceremony held on April 26, 2019, each social media first prize winner and category first prize winner was awarded TRY 5,000, while each category second prize winner received TRY 3,000, each category third prize winner won TRY 2,000, each category fourth prize winner won TRY 1,000 and the fifth prize winners won TRY 500. “White Vibration” that received the highest score

among the first prize winners of all the six categories was presented with the grand prize of TRY 10,000. In addition to awarding the three finalists in each category and the winner of the social media category, KKB also provided an internship opportunity to these students in 2019 summer.



**2,262**  
Projects  
submitted for  
You Imagine, We  
Realize contest



The Audio Question Bank project is intended to provide visually-impaired individuals with personal, professional, and academic learning environments based on equal opportunities. Up-to-date tests and question banks tailored for university admission exams are vocalized under the project.



**15 Thousand**  
Audio Questions

15 thousand questions were vocalized from 2017 to the end of 2019.

### THE AUDIO QUESTION BANK

In the 2016 “You Imagine, We Realize” contest, the “Audio Question Bank” project won the “Education” category first prize with the highest score. The project now aims to create personal, professional, and academic learning environments for visually impaired individuals based on equality of opportunity. Audio Question Bank involves the transmission of updated trial tests and question banks prepared for exams such as TYT and AYT to the appropriate medium after being vocalized.

In order to launch the project in cooperation with the Association of Visually Impaired in Education (EGED) and Istanbul University, Head Office of Library and Documentation, Unimpaired Information Center, a team of KKB employee volunteers carried out the vocalization trials of the question bank. After taking courses from EGED, KKB volunteers started to vocalize question banks with respect to preparation for university admission exams. From 2017 to the end of 2019, some 15 thousand questions were vocalized and put to the use of all the libraries serving for visually-impaired individuals. One in every three visually impaired had access to the resources generated under the Audio Question Bank effort through the online e-library of the Visually Impaired Technology and Education Laboratory (GETEM) and prepared for exams.

The societal benefit created by the project was recognized and awarded by various platforms. In 2019, the Audio Question Bank won the Innovation Award at the Corporate Social Responsibility Awards organized by Turkish Employers’ Unions Confederation (TISK). The project also won the Gold Award in the Social Responsibility Project Communication category at Istanbul Marketing Awards. Also, the Corporate Social Responsibility Association deemed the project worthy of the Grand Prize in the 11<sup>th</sup> edition of the awards presented to businesses contributing to sustainable development goals.

## 20. OUR SOCIAL CONTRIBUTION

The Theater Club of KKB employees performed “Lüküs Hayat” twice in 2019.



### KKB VOLUNTEERING PLATFORM

Putting social responsibility at the core of all its operations, KKB implements socially-beneficial projects with the voluntary contribution of KKB employees. Within this scope, KKB partnered with Kızılay in organizations including blood donation, provision of books, educational toys, technical equipment, and clothing items for the schools in need. KKB's Volunteering Platform, gathering all social responsibility projects under

a single umbrella, was launched on December 5 International Volunteers' Day. Over 50 KKB Volunteers continue with their activities under this platform.

Besides, the Lüküs Hayat (Luxurious Life) play, of which the cast featured KKB employees, was performed twice in 2019. A total of TRY 6,795 in donations collected from ticket sales at both performances were transferred to Tohum Autism Foundation.

Throughout 2019, KKB employees' music band organized charity concerts and donated the amount collected in ticket sales to various foundations. The first concert was performed in support of the Educational Volunteers Foundation of Turkey (TEGV). A total of TRY 32,000 collected from the ticket sales was donated to TEGV. The second concert was organized in support of the Hope Foundation for Children with Cancer (KAÇUV). A total of TRY 5,000 was donated to the foundation.

### KKB'S RUNNING TEAM

KKB's Running Team ran the Bozcaada Half-Marathon on May 18, 2019, to raise money for the Tohum Autism Foundation. Completing the 10 km track in the half-marathon, some TRY 3,500 was raised to contribute to the education costs of a child with autism.

On November 3, 2019, KKB's Running Team took part in a significant social responsibility project by running 10 km and 15 km distances for the benefit of Ahtapot Volunteers' Foundation in the 41<sup>st</sup> Istanbul Marathon. Completing the marathon, KKB's running team made personal contributions and raised a total TRY 42,770, which was donated to Ahtapot Volunteers' Foundation.

### SEPTEMBER FUNDRAISING CAMPAIGN

As one of the 30 institutions participating in the September Fundraising Campaign, KKB collected donations during the campaign and took 10 thousand steps every day in September. The proceeds were presented to the Spastic Children's Foundation of Turkey to perform activities in line with its vision. In particular, the donations will help the Foundation provide more training and rehabilitation to integrate children and young people with cerebral palsy into society.

### KKB VOLUNTARY MENTORING PROJECT

KKB collaborates with the Foundation of Private Sector Volunteers (ÖSGD) and Young Success Education Foun-

ation and supports Gençbizz Entrepreneurship Program for High Schools aimed at high school students aged 16 to 18. Taking part in the project as a volunteer, eight KKB employees provided mentoring support to high school students on establishing a company, preparing a business plan, creating a product, and defining marketing strategies. As a voluntary mentor of KKB, Sezen Döşoğlu, Senior Specialist of Findeks Business Partnerships, mentored a group of students at Mustafa Saffet Anatolian High School. Their project "Evolution" won the first prize in the Best Marketing Sales Category of Gençbizz Turkey Finals.

# **FINANCIAL INFORMATION**



## 21. AGENDA OF THE ORDINARY GENERAL ASSEMBLY

### KKB KREDİ KAYIT BÜROSU ANONİM ŞİRKETİ

#### NOTICE OF THE ORDINARY GENERAL ASSEMBLY TO BE HELD ON MARCH 25, 2020

The Annual Ordinary General Assembly of our company will be held at the following head office address at 13:00 on Wednesday, March 25, 2020, to review the activities of the year 2019 and to discuss and finalize the agenda mentioned below. The General Assembly will be held at Barbaros Mah. Ardiç Sokak Varyap Meridian F Blok Batı Ataşehir, İstanbul.

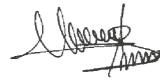
Shareholders who will be represented by proxy at the meeting must execute the proxy in accordance with the following sample and send it to our Company one week before the day of the assembly.

KKB's financial statements, consolidated financial statements, the annual report of the Board of Directors, and the profit distribution proposal of the Board of Directors shall be available for review of our shareholders at KKB headquarters as of March 10, 2020.

We kindly request our shareholders to be informed of the foregoing and to honor the meeting.

Yours sincerely,

### KKB KREDİ KAYIT BÜROSU A.Ş.



**VEYSEL SUNMAN**  
CHAIRMAN OF THE BOARD OF  
DIRECTORS



**ARIF ÇOKÇETİN**  
BOARD OF DIRECTORS DEPUTY  
CHAIRMAN

### AGENDA

1. Opening and formation of the Chairing Board;
2. Authorizing the Chairing Board to sign the Minutes of the General Assembly;
3. Reading and discussion of the Annual Report prepared by the Board of Directors;
4. Reading and discussion of the Auditor's Report;
5. Reading, discussion and approval of the financial statements;
6. Release of each member of the Board of Directors from their obligations;
7. Determination of the mode of use of the profit and of the rates of profit and dividend share to be distributed;
8. Determination of remunerations and other benefits, such as attendance fee, bonus, premium, and the like of the members of the Board of Directors;
9. If there is any vacancy in the Board of Directors and if any person has been appointed to the vacant seat during the year, approval of the appointment by the General Assembly;
10. Selection of members to replace Board Members whose terms of office expired;
11. Election of the auditor;
12. Discussion of granting of permissions to the members of the Board of Directors as outlined in Articles 395 and 396 of the Turkish Commercial Code No. 6102;
13. Petitions and suggestions;
14. Closing

### PROXY FORM

In respect of..... shares at par value of TRY..... in aggregate owned by our Bank in the capital of KKB Kredi Kayıt Bürosu A.Ş. (the "Company"), we appoint..... to be our proxy to represent our Bank and to cast vote on behalf of the Bank on the issues in the agenda of the Ordinary General Assembly of shareholders of the Company to be held at the address of Barbaros Mah. Ardiç Sokak, Varyap Meridian, F Blok, Batı Ataşehir, İstanbul at 13:00 hours on 25.03.2020.

PRINCIPAL: Name and Last Name/Trade Name  
Date and Signature

P.S. If the proxy is not certified by a notary public, a notarized circular of authorized signatures of the principal must be attached to the proxy.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

## KKB KREDİ KAYIT BÜROSU A.Ş.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KKB Kredi Kayıt Bürosu A.Ş.

**A. Audit of the Financial Statements**

**1. Opinion**

We have audited the accompanying financial statements of KKB Kredi Kayıt Bürosu A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

**2. Basis for Opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
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T: +90 212 326 6060, F: +90 212 326 6050, [www.pwc.com.tr](http://www.pwc.com.tr) Mersis Numaramız: 0-1460-0224-0500015



**3. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>The Company has a total of TRY 333.141.597 income that was recognized under "revenue" in the comprehensive income for the period between 1 January 2019 and 31 December 2019. Disclosures and notes related to the revenue are presented under notes 2.4 and 17 of the accompanying financial statements prepared as of 31 December 2019.</p> <p>We focused on this area as a key audit matter for the following reasons: the magnitude of revenue in the financial statements; revenue being earned through variable channels,; revenue being generated as a result of multiple transactions and calculated by using different unit prices due to the nature of the Company's operations.</p>	<p>Within the scope of the audit procedures we applied related to revenue recognition, we evaluated compliance of accounting policies determined by Company management regarding revenue recognition with BRSA Accounting and Financial Reporting Legislation. In addition to this, we tested operational controls related with reliability of the data on which revenue is recognized and with data-recording medium by involving our information and technology specialists. Furthermore, we evaluated and tested the design and operational effectiveness of the internal controls applied by the management to ensure revenue is recognized in accordance with relevant accounting legislation. We tested the transaction details of a selected sample from revenue transactions subject to the audit by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognized properly on a transaction basis.</p>



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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **5. Auditor's Responsibilities for the Audit of the Financial Statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 Company'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 Company'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 independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

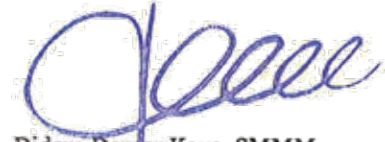
#### **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

### Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Didem Demir Kaya, SMMM  
Partner

Istanbul, 20 February 2020

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## KKB KREDİ KAYIT BÜROSU A.Ş. STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

(AMOUNTS EXPRESSED TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 31 December 2019	Audited Prior period 31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>		<b>124,270,443</b>	<b>133,607,040</b>
Cash and cash equivalents	3	72,529,058	94,552,262
Trade receivables	4	32,317,020	20,530,801
- Trade receivables due from related parties	4, 6	27,998,113	18,028,648
- Trade receivables due from other parties	4	4,318,907	2,502,153
Other receivables	5	-	251,719
- Other receivables due from related parties	5, 6	-	2,331
- Other receivables due from other parties	5	-	249,388
Inventories	7	4,510,643	-
Prepaid expenses	14	6,688,146	10,517,653
- Prepaid expenses due from related parties	6, 14	4,262,113	2,842,900
- Prepaid expenses due from other parties	14	2,426,033	7,674,753
Other current assets	15	716,532	3,819,535
- Other current assets from other parties		716,532	3,819,535
Current income tax assets	22	7,509,044	3,935,070
<b>Non-current assets</b>		<b>260,132,315</b>	<b>209,176,711</b>
Tangible Assets	8	214,775,110	181,205,514
- Buildings		116,087,238	120,337,814
- Machinery, plant and equipment		59,540,968	29,502,989
- Furniture and fixtures		33,788,854	28,380,928
- Constructions in progress		5,358,050	2,983,783
Right of use asset	10	3,149,540	-
Intangible assets	9	31,162,312	24,931,626
- Softwares		21,037,136	21,290,445
- Rights		9,748,641	3,251,527
- Other intangible assets		376,535	389,654
Prepaid expenses	14	11,034,033	3,021,751
- Prepaid expenses due to related parties	6, 14	-	109,996
- Prepaid expenses due to other parties	14	11,034,033	2,911,755
Other non-current assets	15	11,320	17,820
- Other non-current assets due from other parties		11,320	17,820
<b>Total assets</b>		<b>384,402,758</b>	<b>342,783,751</b>

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

## KKB KREDİ KAYIT BÜROSU A.Ş. STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

(AMOUNTS EXPRESSED TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 31 December 2019	Audited Prior period 31 December 2018
<b>Short-term liabilities</b>		<b>148,900,439</b>	<b>115,384,197</b>
Short term borrowings		6,957,116	11,726,416
- Short term borrowings due from related parties		6,957,116	11,726,416
- Financial leasing payables	11	6,957,116	11,726,416
Lease liabilities	10	1,148,714	-
Trade payables	4	33,698,895	39,490,049
- Trade payables due to related parties	4, 6	3,134,403	4,790,054
- Trade payables due to other parties	4	30,564,492	34,699,995
Other payables	5	4,803,047	3,164,557
- Other payables due to related parties		-	-
- Other payables due to other parties		4,803,047	3,164,557
Short term provisions	13	30,441,429	18,766,064
- Short term provisions for employee benefits		24,610,646	17,208,006
- Other short term provisions		5,830,783	1,558,058
Payables related to employment benefits	13	2,144,524	1,605,917
Deferred income	14	69,706,714	40,631,194
<b>Long-term liabilities</b>		<b>15,281,480</b>	<b>16,393,509</b>
Long term borrowing		70,242	6,177,496
- Long term borrowing from related parties		70,242	6,177,496
- Financial leasing payables	11	70,242	6,177,496
Lease liabilities	10	1,944,541	-
Deferred tax liability	22	9,876,747	7,683,713
Long term provisions	13	3,389,950	2,532,300
- Long term provisions for employee benefits		1,886,824	2,087,456
- Other long term provisions		1,503,126	444,844
<b>Other Liabilities</b>		<b>164,181,919</b>	<b>131,777,706</b>
<b>Shareholders' Equity</b>			
Share capital	16	7,425,000	7,425,000
Restriction reserves from profit	16	14,131,050	12,668,175
Adjustment to share capital	16	2,574,025	2,574,025
Extraordinary reserves	16	139,367,193	123,581,647
Accumulated other comprehensive expense that will not be reclassified to profit or loss (-)		413,992	(157,458)
- Remeasurement losses of defined benefit plans (-)		413,992	(157,458)
Retained earnings		34,129,110	23,709,055
Net profit for the period		22,180,469	41,205,601
<b>Total shareholders' equity</b>		<b>220,220,839</b>	<b>211,006,045</b>
<b>Total liabilities and shareholders' equity</b>		<b>384,402,758</b>	<b>342,783,751</b>

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



# KKB KREDİ KAYIT BÜROSU A.Ş.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(AMOUNTS EXPRESSED TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 1 January- 31 December 2019	Audited Prior period 1 January- 31 December 2018
<b>Operating income</b>			
Sales	17	333,141,597	274,471,931
Cost of sales (-)	17	(137,911,494)	(112,070,158)
<b>Gross profit</b>		<b>195,230,103</b>	<b>162,401,773</b>
General administrative expenses (-)	18	(133,055,536)	(98,236,397)
Marketing, selling and distribution expenses (-)	18	(51,233,237)	(26,647,391)
Other operating incomes		3,476,689	6,678,868
Other operating expenses (-)	20	(556,220)	(127,821)
<b>Operating profit</b>		<b>13,861,799</b>	<b>44,069,032</b>
Income from investing activities	23	2,723,363	223,057
<b>Operating profit before financial income</b>		<b>16,585,162</b>	<b>44,292,089</b>
Financial income	21	20,144,974	28,684,430
Financial expense (-)	21	(8,465,090)	(19,390,150)
<b>Profit before tax from continuing operations</b>		<b>28,265,046</b>	<b>53,586,369</b>
- Current tax expense for the period (-)	22	(4,052,721)	(9,349,815)
- Deferred tax expense (-)	22	(2,031,856)	(3,030,953)
<b>Net profit for the period from continuing operations</b>		<b>22,180,469</b>	<b>41,205,601</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
- Defined benefits plans remeasurement gains/(losses)	12	732,628	(188,885)
- Defined benefits plans remeasurement gains/(losses). tax effect	22	(161,178)	41,555
<b>Other comprehensive income/(expense)</b>		<b>571,450</b>	<b>(147,330)</b>
<b>Total comprehensive income</b>		<b>22,751,919</b>	<b>41,058,271</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

# KKB KREDİ KAYIT BÜROSU A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(AMOUNTS EXPRESSED TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

	Shareholders' Equity (Audited)					Total equity
	Share capital	Adjustment to share capital	Restriction reserves from profit	Extraordinary reserves	Accumulated other comprehensive income or expenses not classified as profit or loss	
<b>1 January 2018</b>	7,425,000	2,574,025	11,205,300	100,709,110	(10,128)	183,484,899
Transfers to retained earnings	-	-	-	-	-	(44,797,597)
Transfers to reserves	-	-	-	36,409,662	(37,872,537)	-
Dividend paid (-)	-	-	1,462,875	(13,537,125)	-	(13,537,125)
Total comprehensive income	-	-	-	-	(147,330)	41,058,271
- Net profit for the period	-	-	-	-	-	41,205,601
- Other comprehensive expenses (-)	-	-	-	-	(147,330)	(147,330)
<b>31 December 2018</b>	<b>7,425,000</b>	<b>2,574,025</b>	<b>12,668,175</b>	<b>123,581,647</b>	<b>(157,458)</b>	<b>211,006,045</b>
<b>1 January 2019</b>	7,425,000	2,574,025	12,668,175	123,581,647	(157,458)	211,006,045
Transfers to retained earnings	-	-	-	-	-	(41,205,601)
Transfers to reserves	-	-	-	30,785,546	(30,785,546)	-
Dividend paid (-)	-	-	1,462,875	(15,000,000)	-	(13,537,125)
Total comprehensive income	-	-	-	-	571,450	22,751,919
- Net profit for the period	-	-	-	-	-	22,180,469
- Other comprehensive expenses (-)	-	-	-	-	571,450	22,180,469
<b>31 December 2019</b>	<b>7,425,000</b>	<b>2,574,025</b>	<b>14,131,050</b>	<b>139,367,193</b>	<b>413,992</b>	<b>220,220,839</b>

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

## KKB KREDİ KAYIT BÜROSU A.Ş. STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(AMOUNTS EXPRESSED TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 1 January- 31 December 2019	Audited Prior period 1 January- 31 December 2018
<b>Net profit for the period</b>		<b>22,180,469</b>	<b>41,205,601</b>
<b>Adjustments to reconcile net profit and net cash provided from operating activities</b>			
Adjustments for deferred tax expense	22	2,031,856	3,030,953
Adjustments for current tax expense	22	4,052,721	9,349,815
Adjustments for personnel bonus provision expense	13	18,658,413	13,471,394
Adjustments for depreciation and amortization	19	32,370,691	24,738,538
Adjustments for employee termination benefit provision expenses	13	718,498	799,367
Adjustments for interest expense on financial leasing	11	(8,786)	(27,215)
Adjustments for unused vacation provision expenses	13	1,945,283	1,172,889
Adjustments for interest income (-)	20	(11,257,509)	(16,750,035)
Adjustments for profit on sale of tangible assets (-)		(2,344,196)	(223,057)
Adjustments for other non-cash items		5,945,900	(4,162,059)
Adjustments for net foreign currency exchange effect		742,798	(5,832,060)
Provision for expected credit losses	19	108,453	18,473
<b>Operating profit before changes in operating assets and liabilities</b>		<b>75,144,591</b>	<b>66,792,604</b>
<b>Changes in assets and liabilities:</b>			
Net (increase)/decrease in trade receivables	4	(11,805,325)	4,011,315
Net increase/(decrease) in trade payables	4	(5,791,154)	17,536,958
Net (increase)/decrease in other receivables	5	251,719	(11,541)
Net increase/(decrease) in other payables		2,177,097	(302,175)
Net (increase)/decrease in current and non-current other assets		3,109,503	(3,720,357)
Net increase/(decrease) in deferred income	14	29,075,520	15,225,624
Net (increase)/decrease in prepaid expenses	14	(4,182,775)	(5,484,007)
Net (increase)/decrease in stocks	7	(4,510,643)	-
Unused vacations paid (-)		(270,338)	(340,313)
Employee termination benefits paid (-)	13	(186,501)	(581,121)
Income taxes paid (-)	22	(7,391,393)	(12,512,847)
Personnel performance bonus paid (-)	13	(13,471,394)	(11,739,895)
Commissions paid (-)		(373,064)	(188,859)
<b>Net cash provided from operating activities</b>		<b>61,775,843</b>	<b>68,685,386</b>
<b>Investing activities:</b>			
Purchases of tangible assets (-)	8	(45,954,000)	(23,310,337)
Purchases of intangible asset (-)	8	(13,571,660)	(18,903,764)
Sale of tangible assets	9	5,501,617	610,488
Payments for investments in progress (-)		(15,802,734)	(6,503,766)
<b>Net cash used in investing activities (-)</b>		<b>(69,826,777)</b>	<b>(48,107,379)</b>
<b>Financial activities:</b>			
Dividends paid (-)		(13,537,125)	(13,537,125)
Payments for finance leases (-)	11	(11,613,971)	(9,589,610)
Interests paid (-)	11	(513,525)	(880,148)
Interests received		12,188,600	16,012,571
<b>Net cash used in financial activities (-)</b>		<b>(13,476,021)</b>	<b>(7,994,312)</b>
Net increase in cash and cash equivalents		(21,526,955)	12,583,695
Net currency effect		516,930	12,097,021
Cash and cash equivalents at the beginning of the period	3	93,421,409	68,740,693
<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>72,411,384</b>	<b>93,421,409</b>

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

## KKB KREDİ KAYIT BÜROSU A.Ş. CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

KKB Kredi Kayıt Bürosu A.Ş. (the "Company" or "KKB"), was established in 11 April 1995 with the partnership of 11 banks as the first and only credit bureau in Turkey. As of 31 December 2019, KKB is owned by 9 banks and has 165 members which consist of 46 banks, 15 consumer finance, 56 factoring, 22 financial leasings, 5 insurance, 17 asset management companies, 1 source organization and 3 companies from other sectors. Members have been sharing their credit informations with each other since April 1999 through KKB. As required by Banking Law No: 5411 (Article 73/4), KKB was established by at least five banks to facilitate the exchange of information and documents between financial institutions.

Banking Regulation and Supervision Agency ("BRSA") has approved the adaptation of KKB to Law of Bank Cards and Credit Cards numbered 5464, with the first article of the decision dated 3 July 2008 and numbered 2685.

With Law No. 6111 issued on February 25, 2011, Additional Article 1 and Provisional Article 28 were added to Banking Law No. 5411. Pursuant to Additional Article 1, a Risk Center has been established within the organization of the Banks Association of Turkey (TBB) to collect the risk data of customers of credit institutions and any financial institutions deemed appropriate by the Banking Regulation and Supervision Agency and to share such data with the referenced institutions and with the customers themselves, or with any private legal entities and third real people if consent has been given by the customers. Upon transfer of the Risk Centralization Center within the organization of the Central Bank of Turkey, the Risk Center of the Banks Association of Turkey started up operations on 28 June 2013. KKB conducted all operational and technical activities through its own organization as an agency of the Risk Center of TBB and providing data collection and sharing services to 181 financial institutions which are members of the Risk Center.

KKB offers its services not only to financial institutions, but also to individuals and the real sector through "Cheque Report" and "Risk Report" systems launched in January 2013. In September 2014, KKB gathered its services aimed at individual customers and the real sector under the name of Findeks, the consumer service platform of KKB. In addition to developing new products and services during the year, KKB continued to create added value for the banking-finance industry primarily, as well as the real sector, through partnerships across different industries. Ultimately, through the QR Code Cheque System - launched by KKB in 2015, became mandatory by Law No. 6728 to the Turkish Commercial Code No. 6102, and entered into force as of 1 January 2017.

Electronic Collateral Letter System which arranges collateral letter in an electronic environment has been launched by KKB in 2018 has been run by KKB ever since.

The control of the Company is provided by the shareholders according to the allocation of shares presented in the Note 16.

As of 31 December 2019, the Company has 482 employees (31 December 2018: 432).

The Company is registered in Turkey and the registered address of the Company is as stated below:

As of December 31, 2019, 3 banks have positioned their ordinary status centers in Anadolu Data Center established by KKB in Ankara.

Varyap Meridian Sitesi, F Blok, Barbaros Mah. Ardıç Sk., 34746, Ataşehir, İstanbul, Türkiye

### Approval of the financial statements

The financial statements for the period ended 31 December 2019 have been approved by the General Assembly on 20 February 2020. General Assembly and authorised bodies of the Company have the right to amend the financial statements within legal framework.

## **KKB KREDİ KAYIT BÜROSU A.Ş.** **CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### **1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)**

#### **a. The products and services provided to members directly by KKB are presented below:**

- Limit Control System (LCS)
- Personal Credit Rating (PCR)
- BDDK Product and Service Fees Portal
- False Information/Document/Declaration/Application Alert System (SABAS)
- Internet Fraud Alert System (IFAS)
- Loan Utilization Instant Sharing Service (KAPS)
- Individual Indebtedness Index
- Cheque Report
- Risk Report
- GeoMIS - Map Based Reporting Service
- Agricultural Loan Assessment System (TARDES)
- Cheque Index
- Cheque Scores
- Real Sector Decision Support Systems (RSDSS)
- Central Decision Support Systems (CDSS)
- Commercial Credit Rating (CCR)
- Prescribed Accounts
- Address Processing Service
- Cheque Status Inquiry
- Farmer Registration System
- Letter of Guarantee Status Inquiry (LGSİ)
- Trade Registry Sharing System (TRSS)
- Collection Scores
- Inclination Scores
- Central Invoice Registration System (CIRS)
- IBAN Verification Service
- LCS Customer Objection Assessment System (MIDES)
- National Fraud Attempt Detection and Prevention Service
- Credits Analysis Portal
- Cheque Analysis Portal
- KKB Unknown Number Service
- Electronic Letter of Guarantee Service
- Findeks
  - Findeks Credit Rating
  - Risk Report
  - Cheque Report
  - Cheque Index
  - Warning Service
  - Tracer
  - Rating Consultancy
  - Findeks QR Code Cheque System
  - Findeks QR Code Cheque Registration System

## **KKB KREDİ KAYIT BÜROSU A.Ş.** **CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### **1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)**

#### **b. The products and services provided to members by TBB Risk Center are presented below:**

- Credit Limit-Credit Risk Inquiry and Sharing Services
- Protested Bills Sharing Service
- Bounced Cheque Inquiry and Sharing Services
- Individual Cheque Inquiry
- Credit Reference System (CRS)
- Corporate Bureau System (CBS)
- Individual Customer Objection Assessment System (Individual MIDES)
- Corporate Customer Objection Assessment System (Corporate MIDES)
- CRS Information Verification System
- Cheque Report Raw Data Presentation
- Risk Report Raw Data Presentation
- Cross-Cheque Relations Inquiry Service
- Bounced Cheque Alert Service
- Inquiry and Warning Services (re:entities banned from tenders)
- Derivative Transactions Sharing Service
- Paid Bills Inquiry
- Sharing Information about Cheques Granted Interim Injunction
- Sharing Service about Companies that Declared Bankruptcy/Suspended Bankruptcy/Declared Concordat
- Sharing Service about Customers Banned from Using Cheques
- Customer RA Personal Record Search
- Credit Insurance Inquiry and Sharing
- Risk Center Customer Report Service
- Acceptance & Rejection Notifications Related to Loan Applications
- Sharing of Internal Rating Scores
- Credit Rating Agencies (CRAS) and Sharing of Rating Scores
- Data Updating Application
- Data Validation and Sanction Application
- Risk Center Bulletin and Statistics Publication Services
- CTMCRS Inquiry Service
- BKM Member Merchant Turnover Information Inquiry
- RC Warning Services
- Individual Inquiry Unit Query
- Force Majeure Inquiry
- Telecommunications Information Inquiry
- Foreign Currency Credit and Income Inquiry
- Historical Credit Risk Query
- Presentation of Risk Center Report via E-Government Sistem

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Additional paragraph for convenience of translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

#### 2.1 Accounting standards

Company prepares its financial statements in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

The financial statements are prepared on the historical cost basis.

The preparation of financial statements requires estimates and assumptions that affect the amounts of reported assets and liabilities or declared contingent assets and liabilities as of the balance sheet date and the amounts of income and expenses reported in the related period. These estimates are based on managements' best judgements and information; however, actual results may vary from these estimates.

Financial statements and statutory books of the company are presented in Turkish Lira ("TRY") in compliance with Turkish Commercial Code ("TCC") and accounting principles of the tax legislation.

#### 2.2 Basis in preparation

The basic accounting policies adopted in the preparation of the financial statements as of 31 December 2019 are presented below. These policies are applied consistently throughout the whole year, unless otherwise indicated.

##### 2.2.1 Functional and reporting currency

The Company's functional and reporting currency is Turkish Lira ("TRY").

##### 2.2.2 Adjustment of financial statements in periods of high inflation

Financial statements were subject to inflation accounting in accordance with "Turkish Accounting Standards Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. The BRSA announced a declaration with a decision dated 28 April 2005 that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Basis in preparation (Continued)

##### 2.2.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously

##### 2.2.4 Comparatives and restatement of prior year financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

##### 2.2.5 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. There was no accounting policy changes in 2019, except for changes required by TFRS 16 "Leases".

##### a) TFRS 16 "Leases" Standard

*The company - as a lessee*

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period of time:

The contract includes an identified asset; contract includes a definition of a specified asset explicitly or implicitly).

- a) A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- b) The company has the right to obtain substantially all of the economic benefits from use of the identified asset,
- c) The company has the right to direct the use of an identified asset. The Company considers that the asset has the right to use if decisions about how and for what purpose the asset is used are predetermined. The company has the right to manage the use of the asset in the following cases.
  - i. The company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
  - ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At the commencement date, the Company recognize a right-of-use asset and a lease liability in financial statements.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Basis in preparation (Continued)

##### *Right-of-use asset*

The right of use asset is initially recognized at cost comprising of:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the Company, and

The Company re-measure the right of use asset:

- after netting-off depreciation and reducing impairment losses from right of use asset,
- adjusted for certain re-measurements of the lease liability recognized at the present value

The Company apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The company applies TAS 36 Impairment of Assets standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

##### *Lease liability*

At the commencement date, The Company measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- the exercise price of purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Basis in preparation (Continued)

After initial recognition, the lease liability is measured:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made, and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Company remeasure the lease liability to reflect changes to the lease payments. The Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
- There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Company remeasure the lease liability by discounting the revised lease payments, if either:

- There is a change in the amounts expected to be payable under a residual value guarantee. The Company determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Company remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group recognises the restructuring of the lease as a separate leasing if both of the following are met:

- The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
- The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Basis in preparation (Continued)

##### The Company - as a Lessor

All the leases that Company is the lessor are operating leases. Assets leased out under operating leases are classified under investment properties, property, plant and equipment or other current assets in the consolidated balance sheet. Rental income is recognised in the consolidated statement of income on a straight-line basis over the lease term.

The Company distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 "Revenue arising from agreements made with customers" standard.

##### First time adoption of TFRS 16 Leases

As of 1 January 2019, the Company has applied TFRS 16, "Leases" standard, which replaces TAS 17, "Leasing Transactions". The company did not rearrange comparable amounts for the previous year using the simplified transition application. With this method, all right of use assets were measured from the amount of lease liabilities (which were made in advance or adjusted according to the lease costs accrued).

During the first implementation, the Company recorded a lease obligation regarding its leases previously classified as operational leasing in accordance with TAS 17. These liabilities were discounted using alternative borrowing interest rates as of 1 January 2019 and measured from their present value. As of 1 January 2019, the weighted average of the alternative borrowing rates used by the Company is 2,15% for Euro and 19,75% for Turkish Lira.

The right of use assets and liabilities classified as financial leasing previously are now measured with carrying amount before the transition.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	<b>1 January 2019</b>
<b>Operating lease commitments within the scope of TAS 17</b>	<b>5,394,857</b>
<b>Total lease liability within the scope of TFRS 16 (undiscounted)</b>	<b>5,394,857</b>
<b>Total lease liability within the scope of TFRS 16 (discounted with alternative borrowing rate)</b>	<b>3,822,502</b>
- Short term leasing liabilities	1,484,415
- Long term leasing liabilities	2,338,087

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## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Basis in preparation (Continued)

##### TFRS 16 "Leases" standard current period effects

The right of the use assets and the movement table as of 31 December 2019 are as follows:

	<b>Vehicles</b>	<b>Buildings</b>	<b>Total</b>
<b>As of January 1</b>	<b>761,757</b>	<b>-</b>	<b>761,757</b>
Additions	228,760	2,831,985	3,060,745
Disposals (-)	-	-	-
Depreciation expenses (-)	(434,722)	(238,240)	(672,962)
<b>As of December 31</b>			<b>3,149,540</b>

As of 31 December 2019, the company has accounted for TRY 3,149,540 right of use and TRY 3,093,255 lease obligation.

Regarding the lease agreements within the scope of TFRS 16, the Company has recognized TRY 672,962 of amortization expense, TRY 389,630 of interest expense and TRY 41,974 foreign exchange expense instead of operating lease expense amounting to TRY 1,160,850 in the period ended 31 December 2019.

##### Options to extend and terminate

The Company assesses the contractual options to extend or to terminate the lease when determining the lease liability. The majority of the options to extend and terminate are exercisable both by the Company and the respective lessor. Company determines the lease term of a lease considering the periods covered by options to extend and terminate the lease if the options are exercisable by the Company and the Company is reasonably certain to exercise those options. If a significant change in circumstances takes place, related lease term assessment is revisited by the Company.

#### 2.2.6 Changes in accounting estimates and errors

If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. The Company's accounting estimates did not change significantly in the current period.

Significant accounting errors are applied retrospectively and the prior period financial statements are restated.

#### 2.2.7 Going concern

The Company prepared its financial statements on a going concern basis.

#### 2.2.8 Segment reporting

The company, which operates in Turkey and in a single field of activity, has not reported its financial information according to segments.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Amendments in standards and interpretations

Implementation of new or revised TAS and TFRS and interpretations

The Company adopted the new and revised standards, amendments and interpretations published by POA which are applicable after 1 January 2019 and related to the Company's operations.

#### a) Standards, amendments and interpretations applicable as at 31 December 2019:

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Standard was promulgated in Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting period starting on 31 December 2018. The Company applied TFRS 16 "Leasing" standard, which replaced TAS 17 "Leasing", as of 1 January 2019, the date of first implementation. The impacts of the said transition have been explained in the Note 2.2.5.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Amendments in standards and interpretations (Continued)

- **TFRS 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **Annual improvements 2015-2017**; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - TFRS 3, 'Business combinations'; – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements'; – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'**; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

#### b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material**; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Amendments in standards and interpretations (Continued)

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The amendments that will be effective as of 1 January 2020 are not expected to have a significant impact on the Company's financials, operations and financial performance.

#### 2.4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarized below:

##### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months.

##### Financial instruments

###### Classification and measurement of financial instruments

The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. Based on assessments, the Company has classified its financial assets as the business model that aims to keep the contractual cash flows and has determined that the contractual terms of the financial assets contain solely payments of principal and interest on the principal amounts outstanding.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Company meets the balance sheet classification and measurement requirements by applying the above procedures. The Company measures and classifies all of its financial asset by "Financial assets measured at Amortised cost".

At initial recognition, the Company classifies its financial assets in the following categories: "Financial Assets at Fair Value Through Profit or Loss"; "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". Measurement and classification of financial liabilities do not materially change from the requirements of TAS 39.

The Company classifies and measures its financial assets as "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in the section below related to the classification and measurement of financial instruments of "TFRS 9 Financial Instruments". At initial recognition, financial assets are measured at fair value. In the case if financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

##### Financial assets measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost when it is held within a business model to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal or interest.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs, if any, which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement. The Company has measured cash and cash equivalents and trade receivables in the financial statements at amortized cost as of 31 December 2019.



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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### *Impairment of financial assets*

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost in accordance with TFRS 9 principles. Impairment method is based on the gradual increase in credit risk observed since their initial recognition.

Measurement of the expected credit losses includes the following decisions that shall be taken by the Company:

- Definition of criterias regarding to the increase in credit risk
- Determination of appropriate model and assumptions on measuring expected credit losses
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date
- Definition of similar financial asset groups for calculation of expected credit loss

As of 31 December 2019, the Company management has assumed that there is no significant change in the credit risks of the financial assets carried at the financial statements and that the impairment measured for financial assets are not material.

The Company has recognized expected credit loss provision of TRY 18,473 in its financial statements prepared as at 31 December 2019.

##### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

##### *Inventories*

Inventories are stated at the lower of cost and net realizable value. The cost of inventories consists of all purchase costs and other costs necessary to make a sale. Unit cost of inventories is determined using weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. (Note 6).

##### *Provision for impairment of inventories*

Inventories are evaluated whether provision for impairment is required or not by investigating the purchase date and physical conditions of the asset and by assessment of usability performed by technical personnel. Since the inventories of the Company are being sold to members shortly before obtaining the asset, the Company hasn't booked any provision for impairment of inventories.

##### *Short and long term liabilities*

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are measured at amortized cost.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### *Tangible assets*

Tangible assets are measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, tangible assets are carried at cost less accumulated depreciation and provision for value decrease.

All tangible assets are carried at cost, restated equivalent to purchasing power of TRY at 31 December 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of tangible assets by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life. Depreciation is calculated over the cost of tangible assets using the straight-line method over estimated useful lives.

Gains and losses on disposals of property, plant and equipment are determined by comparing the carrying amount and the selling price.

The residual value and usefull lives of the assets are evaluated at each balance sheet date and adjusted when necessary.

Costs associated with developing or maintaining tangible assets are recognized as an expense as incurred. Expenditure which enhances or extends the performance of tangible assets beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. These costs consist of expenses that extend the useful lives and enhances service capacity of the assets, increase the quality and decrease the cost of using the equipments.

The estimated useful lives are stated below:

	<b>Useful life</b>
Buildings	10-50 years
Machinery, plant and equipment	3-15 years
Furniture and fixtures	2-15 years

##### *Intangible Assets*

##### *Acquired intangible assets*

Acquired intangible assets with unique useful lives, are carried at historical costs after the deduction of accumulated amortization. These assets are amortized using the straight-line method over their useful lives. Expected useful lives and amortization method are evaulted every year and the changes are applied prospectively. Acquired intangible assets with infinite useful lives are measured at acquisition costs after the deduction of impairments.

##### *Other intangible assets*

Other intangible assets of the Company consist of licenses, trademarks and patents. Other intangible assets are carried at historical cost. Other intangible assets have unique useful lives and are carried at historical costs after the deduction of accumulated amortization. Other intangible assets are amortized using the straight-line method over their useful lives.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### Softwares

Softwares are recorded at cost of acquisition and are amortized on a straight-line basis over their estimated useful lives, which are 3-15 years from the date of acquisition.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Costs contain general administrative expenses and the personnel expense for the personnel who improved the softwares.

##### Internally-generated intangible assets - research and development expenditures

*Expenditures on research activities are recognized in profit and loss in the period they are incurred.*

An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The estimated useful lives are stated below:

	<b>Useful life</b>
Softwares	3-15 years
Rights	3-5 years
Other intangible assets	3-15 years

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### Impairment of tangible assets and intangible assets other than goodwills

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

When an asset' (or cash generating unit's) recoverable amount is lower than their carrying value asset's (or cash generating unit's) carrying value is decreased to their recoverable amount. If the related asset is not measured at revalued amount impairment loss is directly recognized in profit/loss. In such cases, the impairment loss is treated as revaluation loss.

When there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased at each reporting period and, if such a conditions exists, the Company reverses the impairment loss recognized in prior periods for an individual asset, Unless the related asset is accounted and measured under a different standard, reversal of the impairment is accounted under statement of comprehensive income,

##### Employment termination benefits

##### Provision for employee termination benefits

TAS 19 "Turkish Accounting Standard for Employee Benefits" requires companies to use their actuarial valuation methods to calculate the present value of the potential liabilities. Therefore, the present value of the Company's possible liability is calculated using the assumptions in the following table.

The provision for employment termination benefits is calculated as required by Turkish Labor Law as a statutory obligation of the Company and reflects the present value of severance pay entitlement to employee retirement, dismissal, call for military service or death in case of completion of at least one year of service. TAS 19 "Turkish Accounting Standard for Employee Benefits" requires companies to use their actuarial valuation methods to calculate the present value of the potential liabilities. Therefore, the present value of the Company's possible liability is calculated using the assumptions.

##### Provision for unused vacation

According to the Labor Law applicable in Turkey, the Company is obliged to pay the annual leave periods which the employment contract are not entitled for any reason, to the employer or their beneficiaries at the date the contract ends.

##### Bonus payments

The Company records the accrual as an obligation and expense based on a method that takes into consideration the Company's profitability, budget realization and performance criteria. The Company also reserves provisions in cases where it is a contractual obligation.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### Provisions, contingent assets and liabilities

In accordance with the TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision. In determining the discount rate to be used in reducing the provisions to their present value, the interest rate on the relevant market and the risk related to the related obligation are taken into consideration. Contingent assets are disclosed in the notes and not recognised unless they are realized.

##### Revenue recognition

In accordance with TFRS 15 "Revenue Standard from Customer Agreements", which is effective as of 1 January 2018, the Company accounts in the financial statements of the revenue consignment in accordance with the following five-tiered model.

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue

The Company assesses the goods or services undertaken by each contract made with the customers and sets each commitment to transfer such goods or services as a separate performance obligation..

For each performance obligation, at the beginning of the contract, the obligation to fulfill the obligation is to be delivered in time or at a certain time. When the control of a good or service is over time and the Company fulfills its performance obligations related to sales in a timely manner, the Group takes the financial statements in the console at the expiration time by measuring the progress towards fulfillment of the fulfillment obligations.

When the Company fulfills the obligation to perform the obligation by transferring a promised good or service to the customer, it records the transaction value corresponding to the obligation as revenue in the consolidated financial statements. When the control of the goods or services is overtaken by the customers (or as they pass) the goods or services are transferred.

When the Company evaluates the transfer of the customer for the control of the goods or services sold,

- a) Group owns the right to collect the goods or services,,
- b) Owns legal ownership of the goods or services,
- c) The transfer of the possession of the goods or services,
- d) Ownership of the significant risks and rewards of ownership of the property of the customer,
- e) Takes into consideration the conditions under which the customer accepts goods or services.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

The Company does not make any adjustments to the effect of a significant financing component at the commitment price if the contract at the outset suggests that the period between the transfer date of the goods or services undertaken by the customer and the date the customer pays the price of the goods or services is one year or less. If the other party has significant financing within the revenue, the revenue value is determined by discounting future collections with the interest rate included in the financing element. The difference is recorded in the related periods as Other income from the main operations on the accrual basis.

##### Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date Foreign currency translation rates used by the Company as of respective year-ends are 5.9402 TRY=1 US Dollars and 6.6506 TRY=1 Euro (2018: 5.2609 TRY=1 US Dollars and 6.028 TRY=1 Euro).

##### Earnings per share

In accordance with the Turkish Accounting Standards 33 - Earning per share ("TAS 33"), the companies, whose common stocks are not quoted on the stock exchange, do not have to disclose earning per share information. Since the parent Company's common stocks are not quoted on the stock exchange, earnings per share information is not calculated in the accompanying financial statements.

##### Deferred Revenue

Deferred revenues are liabilities that consist of advances from other parties that are obtained in the relevant period in terms of sale agreements or booked as receivables and related with future periods.

##### Taxes calculated on the basis of corporate income

Income tax expense consists of corporate tax and deferred tax expenses.

##### Corporate/Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

##### Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

##### *Deferred tax (Continued)*

Under TAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted off in these financial statements.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

##### *Corporate and deferred taxes for the period*

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the statement of profit or loss.

##### **Cash flow statement**

The Company prepares cash flow statements to inform users of the ability to direct the amount and timing of changes in net assets, financial structure and cash flows according to changing conditions.

In the cash flow table, the cash flows related to the turnover are reported by being classified as operating, investing and financing activities. Cash flows arising from operating activities represent cash flows arising from the transactions entered into the operating area of the Company. Cash flows from investing activities represent for the Company used and obtained from investment activities (fixed investments and financial investments). Cash flows from financing activities represent the resources the Company uses in its financing activities and the repayments of these resources.

##### **Related parties**

For the purposes of these financial statements, shareholders, key management personnel and Board members, in each case together with companies controlled by/or affiliated with them and associated companies are considered and referred to as related parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.4 Summary of Significant Accounting Policies (Continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### 2.5 Significant accounting judgements, estimates and assumptions

The Company has prepared its financial on going concern principal.

Preparation of the financial statements requires estimates and judgments about the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgments are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

The significant estimates and assumptions the Company uses in preparing its financial statements are explained below:

**Useful lives of tangible assets and intangible assets:** The useful life of assets and additional costs are determined by the Company Management at initial recognition date and re-evaluated regularly. The Company determines useful lives of the assets by evaluating estimated benefits of the related assets. This evaluation is based on the Company' experiences on relevant assets.

**Recognition of deferred tax asset:** Deferred tax assets can only be booked if the relevant tax benefit is probable. The amount of the probable future tax advantages and taxable income are based on the Company's medium-term projections and expectations based on these projections.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 3. CASH AND CASH EQUIVALENTS

The details of the Company's cash and cash equivalents as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Banks		
- Time deposit	69,817,322	92,744,552
- Demand deposit	985,387	205,598
Credit card receivables with term of less than three months <sup>(*)</sup>	1,815,696	1,609,370
Provision for expected credit loss (-)	(89,347)	(7,258)
<b>Total</b>	<b>72,529,058</b>	<b>94,552,262</b>

<sup>(\*)</sup> As of 31 December 2019, the average maturity of credit card receivables of the Company amounting to TRY 1,815,696 (31 December 2018: TRY 1,609,370) is 40 days (31 December 2018: 40 days).

As of 31 December 2019 and 2018, there is no restriction on cash and cash equivalents.

As of 31 December 2019 and 31 December 2018, the details of time deposits are as follows:

#### 31 December 2019

Maturity date	Currency	Gross annual interest rate (%)	31 December 2019
1 January 2020	TRY	10.80	25,452,161
1 January 2020	TRY	11.00	10,000,000
1 January 2020	TRY	11.00	10,000,000
1 January 2020	TRY	11.00	10,000,000
1 January 2020	TRY	11.15	10,000,000
1 January 2020	USD	1.90	4,158,140
			<b>69,610,301</b>
Interest accruals on time deposits			207,021
<b>Total time deposit</b>			<b>69,817,322</b>

#### 31 December 2018

Maturity date	Currency	Gross annual interest rate (%)	31 December 2018
2 January 2019	TRY	23.10	5,274,126
30 January 2019	TRY	24.50	20,000,000
30 January 2019	TRY	24.00	10,000,000
30 January 2019	TRY	24.00	10,000,000
2 January 2019	TRY	6.00	31,771
2 January 2019	TRY	16.80	134,000
31 January 2019	EUR	1.50	15,979,993
31 January 2019	USD	4.40	30,186,551
			<b>91,606,441</b>
Interest accruals on time deposits			1,138,111
<b>Total time deposit</b>			<b>92,744,552</b>

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 3. CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2019 and 2018, in the cash flow statement, cash and cash equivalents of the Company are shown by deducting interest accruals :

	31 December 2019	31 December 2018
Cash and cash equivalents	72,618,405	94,559,520
Interest accruals (-)	(207,021)	(1,138,111)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>72,411,384</b>	<b>93,421,409</b>

### 4. TRADE RECEIVABLES AND PAYABLES

As of 31 December 2019 and 2018, the details of trade receivables are as follows:

	31 December 2019	31 December 2018
<b>Trade receivables</b>		
Trade receivables from related parties (Note 6)	28,001,943	18,037,432
Trade receivables from other parties	4,334,183	2,504,584
Provision for expected credit loss (-)	(19,106)	(11,215)
- Regarding trade receivables from related parties	(3,830)	(8,784)
- Regarding trade receivables from other parties	(15,276)	(2,431)
<b>Total</b>	<b>32,317,020</b>	<b>20,530,801</b>

The average maturity of trade receivables is 10 days (31 December 2018: 10 days). As of 31 December 2019, there is no neither past due nor impaired receivable (31 December 2018: no neither past due nor impaired receivable).

As of 31 December 2019 and 2018, the details of trade payables are as follows:

	31 December 2019	31 December 2018
<b>Trade payables <sup>(*)</sup></b>		
Trade payables to other parties	30,564,492	34,699,995
Trade payables to related parties (Note 6)	3,134,403	4,790,054
<b>Total</b>	<b>33,698,895</b>	<b>39,490,049</b>

<sup>(\*)</sup> The average maturity for trade payables is between 30 and 60 days (31 December 2018: between 30 and 60 days). As of 31 December 2019 and 2018, a significant portion of the trade payables consist of the purchases and maintenance of tangible and intangible assets and their liabilities related to outsourced services.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 5. OTHER RECEIVABLES AND PAYABLES

As of 31 December 2019 and 2018, the details of other receivables are as follows:

	31 December 2019	31 December 2018
<b>Other receivables</b>		
Other receivables from other parties	-	249,388
Other receivables from related parties (Note 6)	-	2,331
<b>Total</b>	<b>-</b>	<b>251,719</b>

As of 31 December 2019 and 2018, the details of other payables are as follows:

	31 December 2019	31 December 2018
<b>Other payables</b>		
Other payables due to other parties	4,803,047	3,164,557
-Tax payable and liabilities	3,455,961	3,109,082
-Value Added Tax ("VAT") payable	1,327,856	-
-Deposits and guarantees received	-	38,493
-Other payables	19,230	16,982
<b>Total</b>	<b>4,803,047</b>	<b>3,164,557</b>

### 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2019 and 2018, the Company's balances with related parties are as follows:

	31 December 2019	31 December 2018
<b>Trade receivables from related parties</b>		
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	15,336,768	11,438,679
T. Vakıflar Bankası T.A.O.	5,982,483	450,060
T. Garanti Bankası A.Ş.	1,752,230	1,371,373
T. İş Bankası A.Ş.	1,264,797	786,691
Akbank T.A.Ş.	1,166,107	947,259
Denizbank A.Ş.	946,225	763,545
Yapı ve Kredi Bankası A.Ş.	919,394	902,570
T. Halk Bankası A.Ş.	237,703	229,573
Şekerbank T.A.Ş.	114,108	150,850
T.C. Ziraat Bankası A.Ş.	-	795,764
Other	282,128	201,068
Expected credit loss (-)	(3,830)	(8,784)
<b>Total</b>	<b>27,998,113</b>	<b>18,028,648</b>

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

	31 December 2019	31 December 2018
<b>Trade payables to related parties</b>		
Aksigorta Anonim Şirketi	815,582	-
Anadolu Anonim Türk Sigorta Şirketi	729,486	-
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	512,437	3,675,901
Vakıf Katılım Bankası A.Ş.	493,150	-
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	355,487	119,060
T. İş Bankası A.Ş.	187,864	978,217
T. Halk Bankası A.Ş.	36,695	13,377
Otokoç. Otomotiv Ticaret ve Sanayi Anonim Şirketi	1,935	-
Anadolu Hayat Emeklilik A.Ş.	835	-
T. Garanti Bankası A.Ş.	677	-
VDF Filo Kiralama Anonim Şirketi	255	-
Akbank T.A.Ş.	-	3,499
<b>Total</b>	<b>3,134,403</b>	<b>4,790,054</b>

As of 31 December 2019 and 2018, the details of cash and cash equivalents with related parties are as follows :

	31 December 2019	31 December 2018
<b>Cash and cash equivalents from related parties</b>		
Denizbank A.Ş.	29,857,928	61,704,770
T. Garanti Bankası A.Ş.	10,594,179	475,605
T. İş Bankası A.Ş.	10,477,649	328,345
T. Halk Bankası A.Ş.	10,120,025	10,296,245
Yapı ve Kredi Bankası A.Ş.	703,286	713,521
Akbank T.A.Ş.	422,020	228,210
T.C. Ziraat Bankası A.Ş.	194,355	55,314
Vakıf Katılım Bankası A.Ş.	133,264	-
T. Vakıflar Bankası T.A.O.	16,924	20,627,941
Şekerbank T.A.Ş.	201	-
Expected credit loss (-)	(3,830)	(6,607)
<b>Total</b>	<b>62,516,001</b>	<b>94,423,344</b>

As of 31 December 2019 and 2018, the details of the Company's other receivables balances from related parties are as follows:

	31 December 2019	31 December 2018
<b>Other receivables from related parties</b>		
Yapı ve Kredi Bankası A.Ş.	-	1,073
Denizbank A.Ş.	-	847
T. Vakıflar Bankası T.A.O.	-	411
<b>Total</b>	<b>-</b>	<b>2,331</b>

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

As of 31 December 2019, the details of prepaid expenses to related parties are as follows:

Prepaid expenses to related parties	31 December 2019	31 December 2018
Anadolu Anonim Türk Sigorta A.Ş.	2,668,495	1,680,339
Aksigorta A.Ş.	814,197	646,230
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	724,312	576,845
Anadolu Hayat Emeklilik A.Ş.	55,011	49,429
T. Halk Bankası A.Ş.	98	53
<b>Total</b>	<b>4,262,113</b>	<b>2,952,896</b>

For the periods ended at 31 December 2019 and 2018, the details of the Company's short and long term liabilities to related parties are as follows:

Short and long term liabilities to related parties	31 December 2019	31 December 2018
İş Finansal Kiralama A.Ş.	6,664,329	16,935,450
Yapı Kredi Finansal Kiralama A.O.	363,029	968,462
<b>Total</b>	<b>7,027,358</b>	<b>17,903,912</b>

For the periods ended at 31 December 2019 and 2018, the details of the Company's expenses to related parties are as follows:

Expenses to related parties	1 January - 31 December 2019	1 January - 31 December 2018
T.C. Ziraat Bankası A.Ş.	29,830,917	3,116,318
Anadolu Anonim Türk Sigorta A.Ş.	7,941,393	2,591,087
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	5,231,169	4,034,941
T. İş Bankası A.Ş.	5,123,363	3,328,935
T. Vakıflar Bankası T.A.O.	4,106,140	2,463,013
Vakıf Katılım Bankası A.Ş.	2,648,976	-
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	2,089,516	1,377,761
Aksigorta A.Ş.	954,721	664,724
T. Halk Bankası A.Ş.	655,601	2,084,055
VDF Filo Kiralama A.Ş.	643,228	-
İş Finansal Kiralama A.Ş.	569,929	792,567
Otokoç Otomotiv Tic. ve San. A.Ş.	297,191	155,417
Anadolu Hayat Emeklilik A.Ş.	163,747	3,403
Akbank T.A.Ş.	126,110	80,945
Yapı Kredi Finansal Kiralama A.O.	60,198	79,745
Şekerbank T.A.Ş.	56,285	5,679
Yapı ve Kredi Bankası A.Ş.	56,221	20,379
T. Garanti Bankası A.Ş.	12,659	15,019
Denizbank A.Ş.	11,932	25,772
Bankalararası Kart Merkezi A.Ş.	86	68
<b>Total</b>	<b>60,579,382</b>	<b>20,839,828</b>

# KKB KREDİ KAYIT BÜROSU A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Total salaries and benefits of top management

The Company's shareholders, senior executives and directors, members of the board of directors and their respective companies and their families are deemed to be related parties. For the period ended 31 December 2019, the total amount of benefits provided to top management is TRY 6,281,021 (31 December 2018: TRY 5,411,260).

Revenue from related parties	1 January - 31 December 2019	1 January - 31 December 2018
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	186,468,185	134,047,274
T. Garanti Bankası A.Ş.	22,201,891	11,615,635
T. Vakıflar Bankası T.A.O.	20,489,261	4,978,748
T.C. Ziraat Bankası A.Ş.	13,556,026	9,846,231
T. İş Bankası A.Ş.	12,739,695	8,490,022
Yapı ve Kredi Bankası A.Ş.	12,444,003	10,890,839
Denizbank A.Ş.	11,667,601	9,922,755
Akbank T.A.Ş.	11,828,507	9,104,853
T. Halk Bankası A.Ş.	3,653,297	3,879,506
Koçsistem Bilgi Ve İletişim Hizm. A.Ş.	2,929,251	1,662,530
Şekerbank T.A.Ş.	1,251,308	1,409,647
Anadolu Anonim Türk Sigorta Şirketi	1,746,990	34,800
Otokoç Otomotiv Tic. ve San. A.Ş.	808,186	407,215
Vakıf Katılım Bankası A.Ş.	411,938	234,257
Aksigorta A.Ş.	328,191	189,950
Anadolu Hayat Emeklilik A.Ş.	224,576	-
TBB Türkiye Bankalar Birliği	101,863	906,927
Ziraat Katılım Bankası A.Ş.	197,080	105,433
Koç Finansman A.Ş.	171,820	135,813
Bankalararası Kart Merkezi A.Ş.	154,002	170,009
İş Faktoring A.Ş.	106,214	158,526
Garanti Faktoring A.Ş.	93,406	24,294
Şeker Faktoring A.Ş.	88,180	100,332
Türkiye Sınai Ve Kalkınma Bankası A.Ş.	90,163	60,054
Koç Fiat Kredi Finansman A.Ş.	72,473	63,123
İş Finansal Kiralama A.Ş.	55,179	27,274
Deniz Faktoring A.Ş.	51,447	69,317
Halk Finansal Kiralama A.Ş.	45,217	32,930
Yapı Kredi Finansal Kiralama A.O.	44,286	23,959
Garanti Finansal Kiralama A.Ş.	40,961	23,400
Vakıf Faktoring A.Ş.	35,413	14,965
Arap Türk Bankası A.Ş.	23,663	23,831
Volkswagen Doğu Finansman A.Ş.	22,021	23,040
Yatırım Finansal Kiralama A.Ş.	7,770	2,404
Halk Faktoring A.Ş.	7,916	12,891
Ak Finansal Kiralama A.Ş.	6,461	5,343
Vakıf Finansal Kiralama A.Ş.	4,962	8,305
Kredi Garanti Fonu A.Ş.	4,654	-
Yapı Kredi Faktoring A.Ş.	4,022	18,347
Şeker Finansal Kiralama A.Ş.	3,487	2,645
VDF Filo Kiralama A.Ş.	3,380	-
VDF Faktoring A.Ş.	3,095	2,605
Hemenal Finansal Kiralama A.Ş.	1,435	57,792
A&T Finansal Kiralama A.Ş.	901	553
Şeker Finansman A.Ş.	293	-
Ziraat Finansal Kiralama A.Ş.	117	7,280
Deniz Finansal Kiralama A.Ş.	187	12,149
Garanti Filo Yönetim Hizmetleri A.Ş.	30	-
Şeker Mortgage Finansman A.Ş.	-	289
<b>Total</b>	<b>304,191,004</b>	<b>208,808,092</b>

## KKB KREDİ KAYIT BÜROSU A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

#### 7. INVENTORIES

	31 December 2019	31 December 2018
Trade goods (*)	4,510,643	-
<b>Total</b>	<b>4,510,643</b>	<b>-</b>

(\*) It consists of equipment obtained to sale to customers for use of services provided by the Company to member organizations. These stock items consist of consumables such as cables, shelves and cabinets.

As of 31 December 2019 and 2018, there is no stock given as collateral for liabilities.

#### 8. TANGIBLE ASSETS

Movement of tangible assets for the period between 1 January and 31 December 2019 is as follows:

Cost	1 January 2019 Opening	Additions	Disposals (-)	Transfers	31 December 2019 Closing
Buildings	131,984,307	1,494,147	(4,563,862)	-	128,914,592
Machinery, plant and equipment	52,036,671	28,834,488	(81,322)	7,571,993	88,361,830
Furniture and fixtures	40,409,459	15,625,365	(1,271)	-	56,033,553
Constructions in progress	2,983,783	15,802,734	-	(13,428,467)	5,358,050
<b>Total</b>	<b>227,414,220</b>	<b>61,756,734</b>	<b>(4,646,455)</b>	<b>(5,856,474)</b>	<b>278,668,025</b>

Accumulated depreciation	1 January 2019 Opening	Additions (-)	Disposals	Transfers	31 December 2019 Closing
Buildings (-)	(11,646,493)	(3,229,690)	2,048,829	-	(12,827,354)
Machinery, plant and equipment (-)	(22,533,682)	(6,343,788)	56,608	-	(28,820,862)
Furniture and fixtures (-)	(12,028,531)	(10,216,592)	424	-	(22,244,699)
<b>Total</b>	<b>(46,208,706)</b>	<b>(19,790,070)</b>	<b>2,105,861</b>	<b>-</b>	<b>(63,892,915)</b>
<b>Net book value</b>	<b>181,205,514</b>				<b>214,775,110</b>

## KKB KREDİ KAYIT BÜROSU A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

#### 8. TANGIBLE ASSETS (Continued)

Movement of tangible assets for the period between 1 January and 31 December 2018 is as follows:

Cost	1 January 2018 Opening	Additions	Disposals (-)	Transfers	31 December 2018 Closing
Buildings	130,331,609	1,652,698	-	-	131,984,307
Machinery, plant and equipment	41,554,049	10,836,067	(353,445)	-	52,036,671
Furniture and fixtures	23,810,743	14,096,624	-	2,502,092	40,409,459
Constructions in progress	1,511,480	6,503,766	-	(5,031,463)	2,983,783
<b>Total</b>	<b>197,207,881</b>	<b>33,089,155</b>	<b>(353,445)</b>	<b>(2,529,371)</b>	<b>227,414,220</b>

Accumulated depreciation	1 January 2018 Opening	Additions (-)	Disposals	Transfers	31 December 2018 Closing
Buildings (-)	(8,285,086)	(3,361,407)	-	-	(11,646,493)
Machinery, plant and equipment (-)	(17,708,490)	(5,049,942)	224,750	-	(22,533,682)
Furniture and fixtures (-)	(5,563,485)	(6,465,046)	-	-	(12,028,531)
<b>Total</b>	<b>(31,557,061)</b>	<b>(14,876,395)</b>	<b>224,750</b>	<b>-</b>	<b>(46,208,706)</b>
<b>Net book value</b>	<b>165,650,820</b>				<b>181,205,514</b>

There is no mortgage on the Company's tangible assets (31 December 2018: No mortgage).

As of 31 December 2019, the insurance amount on tangible assets is TRY 954.114.102 (31 December 2018: TRY 335,075,056).

#### 9. INTANGIBLE ASSETS

Movement of intangible assets for the period between 1 January and 31 December 2019 is as follows:

Cost	1 January 2019 Opening	Additions	Disposals (-)	Transfers	31 December 2019 Closing
Softwares	55,482,229	10,121,887	(740,178)	1,559,595	66,423,533
Rights	4,710,303	3,428,857	-	4,296,879	12,436,039
Other intangible assets	1,633,044	20,916	-	-	1,653,960
<b>Total</b>	<b>61,825,576</b>	<b>13,571,660</b>	<b>(740,178)</b>	<b>5,856,474</b>	<b>80,513,532</b>

Accumulated depreciations	1 January 2019 Opening	Additions (-)	Disposals	Transfers	31 December 2019 Closing
Softwares	(34,191,784)	(11,317,964)	123,351	-	(45,386,397)
Rights	(1,458,776)	(1,228,622)	-	-	(2,687,398)
Other intangible assets	(1,243,390)	(34,035)	-	-	(1,277,425)
<b>Total</b>	<b>(36,893,950)</b>	<b>(12,580,621)</b>	<b>123,351</b>	<b>-</b>	<b>(49,351,220)</b>
<b>Net book value</b>	<b>24,931,626</b>				<b>31,162,312</b>



## KKB KREDİ KAYIT BÜROSU A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

#### 9. INTANGIBLE ASSETS (Continued)

Movement of intangible assets for the period between 1 January and 31 December 2018 is as follows:

Cost	1 January 2018		Disposals (-)	Transfers	31 December 2018	
	Opening	Additions			Closing	
Softwares	39,068,879	16,679,499	(266,149)	-	55,482,229	
Rights	61,500	2,119,432	-	2,529,371	4,710,303	
Other intangible assets	1,528,211	104,833	-	-	1,633,044	
<b>Total</b>	<b>40,658,590</b>	<b>18,903,764</b>	<b>(266,149)</b>	<b>2,529,371</b>	<b>61,825,576</b>	
Accumulated depreciations	1 January 2018		Disposals	Transfers	31 December 2018	
	Opening	Additions (-)			Closing	
Softwares	(25,875,115)	(8,324,082)	7,413	-	(34,191,784)	
Rights	(13,638)	(1,445,138)	-	-	(1,458,776)	
Other intangible assets	(1,150,467)	(92,923)	-	-	(1,243,390)	
<b>Total</b>	<b>(27,039,220)</b>	<b>(9,862,143)</b>	<b>7,413</b>	<b>-</b>	<b>(36,893,950)</b>	
<b>Net book value</b>	<b>13,619,370</b>				<b>24,931,626</b>	

#### 10. LEASES

As of 31 December 2019 and 2018, the details of right of use assets are as follows:

	31 December 2019	31 December 2018
Buildings	2,593,745	-
Vehicles	555,795	-
<b>Total</b>	<b>3,149,540</b>	<b>-</b>

As of 31 December 2019 and 2018, the details of lease liabilities are as follows:

	31 December 2019	31 December 2018
Short term lease liabilities	1,148,714	-
Long term lease liabilities	1,944,541	-
<b>Total</b>	<b>3,093,255</b>	<b>-</b>

Movement table of the lease liabilities in the period of 1 January - 31 December 2019 is as follows:

<b>Beginning of the period - 1 January</b>	<b>761,757</b>
Additions	3,060,745
Payments (-)	(1,160,851)
Interest expenses	389,630
Exchange differences	41,974
<b>End of the period - 31 December</b>	<b>3,093,255</b>

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(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

#### 11. SHORT TERM AND LONG TERM LIABILITIES

As of 31 December 2019 and 2018, the details of short and long term liabilities are as follows:

	31 December 2019	31 December 2018
Short term leasing payables	6,957,116	11,726,416
<b>Total</b>	<b>6,957,116</b>	<b>11,726,416</b>
Long term leasing payables	70,242	6,177,496
<b>Total</b>	<b>70,242</b>	<b>6,177,496</b>
<b>Total leasing payables</b>	<b>7,027,358</b>	<b>17,903,912</b>

As of 31 December 2019, the effective weighted average interest rates for denominated US Dollar, Euro and TRY financial leasing payables are respectively 6.02%, 3.19% and 14.22%, (31 December 2018: 5.91%, 3.19% and 14.22%).

As of 31 December 2019 and 2018, the payment schedule of financial leasing payables is as follows:

	31 December 2019	31 December 2018
Up to 1 year	6,957,116	11,726,416
Between 1-2 years	70,242	6,113,428
Between 2-3 years	-	64,068
<b>Total</b>	<b>7,027,358</b>	<b>17,903,912</b>

The movement table of the Company's financial liabilities for the accounting period between 1 January and 31 December 2019 and 2018 is as follows:

	2019	2018
<b>Beginning of the period - 1 January</b>	<b>17,903,912</b>	<b>22,135,924</b>
Payments during the period (-)	(12,127,496)	(10,469,758)
The effect of unrealized exchange rate differences	1,259,728	6,264,961
Accrual of interest	(8,786)	(27,215)
<b>End of the period - 31 December</b>	<b>7,027,358</b>	<b>17,903,912</b>

## KKB KREDİ KAYIT BÜROSU A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

#### 12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Letters of guarantee given:

	31 December 2019	31 December 2018
Letters of guarantee	228,421	182,536
<b>Total</b>	<b>228,421</b>	<b>182,536</b>

Letters of guarantee received:

	31 December 2019	31 December 2018
Letters of guarantee received (*)	1,149,446	4,973,528
<b>Total</b>	<b>1,149,446</b>	<b>4,973,528</b>

(\*) Letters of guarantee received from the service provider companies regarding the building of the Company that is located in Ankara Organized Industrial Zone.

As of 31 December 2019, the Company has no collateral, pledge or mortgage given for the purpose of acquiring its own debt or debt of any person or entity other than the Company. (31 December 2018: No collateral, pledge or mortgage).

Lawsuits against the company:

As of 31 December 2019, there are 9 lawsuits filed against the Company. Provision of TRY 677,000 has been provided based on the best estimates of the Company management regarding these lawsuits. (31 December 2018: There are 7 cases and TRY 457,344 has been provisioned).

#### 13. EMPLOYMENT BENEFITS

i) Payables for employee benefits

As of 31 December 2019 and 2018, the details of the payables for the employees are as follows:

	31 December 2019	31 December 2018
Social security withholding to be paid	2,081,295	1,490,513
Payables to employees	63,229	115,404
<b>Total</b>	<b>2,144,524</b>	<b>1,605,917</b>

## KKB KREDİ KAYIT BÜROSU A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

#### 13. EMPLOYMENT BENEFITS (Continued)

ii) Short term provisions

As of 31 December 2019 and 2018, the details of the Company's short-term provisions are as follows:

	31 December 2019	31 December 2018
Provision for personnel performance bonus	18,658,413	13,471,394
Provision for unused vacation	5,952,233	3,736,612
Provision for bank commissions (*)	2,529,625	373,064
Provision for uninvoiced expenses	128,374	112,294
Other provisions	3,172,784	1,072,700
<b>Total</b>	<b>30,441,429</b>	<b>18,766,064</b>

(\*) The Company works with various banks from Turkey in order to complete transactions of Findeks products. The Company pays commissions to the banks in direct proportion to sale amounts within the context of agreements terms. These balances consist of provisions for commissions payable to branch banks as of 31 December 2019 and 2018.

The movement table of provision for personnel performance bonus of the Company for the periods between 1 January and 31 December 2019 and 2018 is as follows:

	2019	2018
<b>Beginning of the period - 1 January</b>	<b>13,471,394</b>	<b>11,739,895</b>
Increase in the period	18,658,413	13,471,394
Paid during the period (-)	(13,471,394)	(11,739,895)
<b>End of the period - 31 December</b>	<b>18,658,413</b>	<b>13,471,394</b>

iii) Long term provisions

As of 31 December 2019 and 2018, the details of the Company's long-term provisions are as follows:

	31 December 2019	31 December 2018
Provision for employment termination benefits	1,886,824	2,087,456
Provision for lawsuits	677,000	444,844
<b>Total</b>	<b>2,563,824</b>	<b>2,532,300</b>

The provision for employment termination benefits is provided for as explained below;

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

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(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 13. EMPLOYMENT BENEFITS (Continued)

#### iii) Long term provisions (Continued)

The principal assumption is that the maximum liability for each year service will increase in line with inflation. Thus, the discount rate applied represents the expected rate of actual inflation. As the maximum liability is revised semi-annually the maximum amount of 6.TRY 730,15 which is effective as of 1 January 2020 has been taken into consideration in calculating the provision for employment termination benefits of the Company (31 December 2018: TRY 6,017.60, effective from 1 January 2019).

The liability is not funded, as there is no funding requirement. Provision for employment termination benefits is calculated by estimating the present value of the probable liability in the case of retirement of the employees.

The Company develops and uses actuarial valuation methods to estimate the employee termination benefit provision. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2019	31 December 2018
Annual discount rate (%)	4.19	5.73

The movement of employment termination benefits during the year is as follows:

	2019	2018
<b>Beginning of the period - 1 January</b>	<b>2,087,455</b>	<b>1,680,325</b>
Service cost	378,243	459,112
Interest cost	340,255	340,255
Payment within the period (-)	(186,501)	(581,121)
Actuarial (gain)/loss	(732,628)	188,885
<b>End of the period - 31 December</b>	<b>1,886,824</b>	<b>2,087,456</b>

### 14. PREPAID EXPENSES AND DEFERRED INCOME

The details of short-term prepaid expenses of the Company as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
<b>Short term prepaid expenses (*)</b>		
Prepaid expenses from related parties	4,262,113	2,842,900
Prepaid expenses from other parties	2,426,033	7,674,753
<b>Total</b>	<b>6,688,146</b>	<b>10,517,653</b>

(\*) As of 31 December 2019 and 2018, the related amounts consist of prepaid insurance, maintenance, dues, training and other miscellaneous expenses which have not been included in the statement of profit or loss.

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## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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### 14. PREPAID EXPENSES AND DEFERRED INCOME (Continued)

As of 31 December 2019 and 2018, the details of long-term prepaid expenses are as follows:

	31 December 2019	31 December 2018
<b>Long term prepaid expenses (*)</b>		
Prepaid expenses from related parties	-	109,996
Prepaid expenses from other parties	11,034,033	2,911,755
<b>Total</b>	<b>11,034,033</b>	<b>3,021,751</b>

(\*) As of 31 December 2019 and 2018, the related amounts consist of prepaid insurance, maintenance, dues, training and other miscellaneous expenses which have not been included in the statement of profit or loss.

The details of deferred income as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
<b>Deferred income</b>		
Deferred income (**)	69,706,714	40,631,194
<b>Total</b>	<b>69,706,714</b>	<b>40,631,194</b>

(\*\*) As at 31 December 2019 and 2018, related amounts consist of service income of the Company generated from Findeks, IFAS and MKDS products, which have been collected in advance but not accrued.

### 15. OTHER ASSETS AND LIABILITIES

#### a) Other current assets:

The details of other current assets as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Order advances given	290,574	-
Amounts to be invoiced	284,227	29,390
Receivables from employees	111,650	103,950
Accruals on trade receivables from customers	30,081	463,437
Deferred VAT	-	3,222,758
<b>Total</b>	<b>716,532</b>	<b>3,819,535</b>

#### b) Other non-current assets:

The details of other fixed assets as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees given	11,320	17,820
<b>Total</b>	<b>11,320</b>	<b>17,820</b>

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### 16. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of TRY 7,425,000 of each 1 TRY nominal share (31 December 2018: TRY 7,425,000).

Shareholders or their proxies present at the Ordinary and Extraordinary General Assembly meetings have 1 voting right per share.

The Company's shareholders and their shares in the capital at 31 December 2019 and 2018 are as follows:

Shareholders:	31 December 2019		31 December 2018	
	Share (%)	Share amount	Share (%)	Share amount
Yapı ve Kredi Bankası A.Ş.	18.182	1,350,000	18.182	1,350,000
Türkiye Halk Bankası A.Ş.	18.182	1,350,000	18.182	1,350,000
Akbank T.A.Ş.	9.091	675,000	9.091	675,000
Türkiye Garanti Bankası A.Ş.	9.091	675,000	9.091	675,000
Şekerbank T.A.Ş.	9.091	675,000	9.091	675,000
Türkiye İş Bankası A.Ş.	9.091	675,000	9.091	675,000
Denizbank A.Ş.	9.091	675,000	9.091	675,000
T. Vakıflar Bankası T.A.O.	9.091	675,000	9.091	675,000
T.C. Ziraat Bankası A.Ş.	9.091	675,000	9.091	675,000

<b>Paid in capital</b>	<b>100.00</b>	<b>7,425,000</b>	<b>100.00</b>	<b>7,425,000</b>
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### Reserves on retained earnings

	31 December 2019	31 December 2018
Extraordinary reserves	139,367,193	123,581,647
Reserves on retained earnings	14,131,050	12,668,175
Share capital adjustment	2,574,025	2,574,025
	<b>156,072,268</b>	<b>138,823,845</b>

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. As of 31 December 2019, the extraordinary reserves of the Company which are classified under the statutory reserves are TRY 139,367,193 (31 December 2018: TRY 123,581,647).

At the Ordinary General Assembly held on 27 March 2019, the Company decided to pay dividends amounting to TRY 15,000,000 (31 December 2018: the Company has paid a dividend payment of TRY 15,000,000). The dividend payments have been made to the shareholders in the second quarter of 2018.

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### 17. SALES AND COST OF SALES

The Company's sales for the periods 1 January - 31 December 2019 and 2018 and the cost of sales are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
CRS product income	94,808,784	85,384,886
Findeks product income	83,329,896	53,603,048
LCS product income	23,806,056	24,496,734
PPI product income	22,505,733	15,953,758
Datacenter product income	21,004,324	6,752,577
Risk center cheque report product income	19,632,183	18,606,790
Personel credit rating	13,932,370	18,536,030
Individual limit risk query	10,149,595	10,628,614
CBS product income	9,247,153	6,849,099
Risk center service income	4,236,091	4,547,688
Commercial credit rating product income	4,023,698	6,632,439
Risk center risk report product income	3,852,743	4,637,887
Trade registry sharing system product income	2,808,000	2,193,000
Factoring invoice pool product income	2,787,576	2,397,797
Electronic guarantee product income	2,369,000	-
KKB cheque report product income	1,692,947	2,582,535
GeoMIS product income	1,609,000	1,791,500
Loan utilization instant sharing service product income	1,522,547	421,395
Tardes product income	1,405,515	771,364
Telecom individual query product income	1,312,064	246,736
GİB künye product income	1,113,208	826,136
Risk center report via E-Government system product income	1,074,016	-
Cross cheque query product income	776,320	956,683
Central Bank Servises product income	701,443	1,420,770
Product income from the declaration and sharing of foreign currency loans and incomes	698,716	566,895
IBAN confirmation servise	521,473	63,070
Address database servise	410,000	432,842
CTMCRS product income	404,474	274,320
FRS product income	332,000	334,052
DVS product income	303,666	408,187
Internet frauds alarm system income	301,539	216,794
KKB risk report product income	240,804	315,180
CDSS incomes	195,378	120,786
Individual cheque query product income	158,685	262,109
Tendency score incomes	154,822	384,027
Bounced cheque product income	144,448	220,342
Other income	729,660	1,406,524
<b>Sales</b>	<b>334,295,927</b>	<b>275,242,594</b>
Sales returns (-)	(1,154,330)	(770,663)
<b>Net sales</b>	<b>333,141,597</b>	<b>274,471,931</b>
<b>Cost of sales (-)</b>	<b>(137,911,494)</b>	<b>(112,070,158)</b>
- Personnel expenses (-)	(76,643,489)	(56,214,436)
- Score service expenses (-)	(20,395,217)	(24,888,446)
- Depreciation expenses (-)	(16,747,417)	(13,475,436)
- System services expenses (-)	(8,806,497)	(8,368,697)
- Query services expenses (-)	(5,434,983)	(6,880,810)
- Other expenses (-)	(9,883,891)	(2,242,333)
<b>Gross operating profit</b>	<b>195,230,103</b>	<b>162,401,773</b>

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### 18. MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

#### a) Marketing, selling and distribution expenses:

The details of marketing, selling and distribution expenses of the Company for the periods 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Commission expenses	27,305,922	13,220,101
Advertising, media and sales expenses	23,294,459	12,842,520
Other	632,856	584,770
<b>Total</b>	<b>51,233,237</b>	<b>26,647,391</b>

#### b) General administrative expenses:

The details of general administrative expenses for the accounting periods of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	51,184,392	38,781,770
Installation and maintenance expense	27,992,844	17,067,849
Amortization and depreciation expense	15,623,274	11,263,102
Consultancy expenses	11,948,329	9,988,946
Communication expenses	9,355,629	8,438,992
Electricity, water and fuel costs	6,040,963	3,434,884
Taxes and other liabilities	2,096,266	1,422,433
Travel expenses	1,303,226	960,611
Insurance expenses	1,168,646	743,522
Amortisation expenses from lease	672,962	-
Other	5,669,005	6,134,288
<b>Total</b>	<b>133,055,536</b>	<b>98,236,397</b>

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### 19. EXPENSES BY NATURE

The details of expenses by nature for the accounting periods of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	127,827,881	94,996,206
Score service expenses	32,370,691	24,888,446
Amortization and depreciation expense	27,992,844	24,738,538
Installation and maintenance cost	20,395,217	17,067,849
Consultancy expenses	11,948,329	9,988,946
Communication expenses	9,355,629	8,438,992
System services expenses	8,806,497	8,368,697
Query services expenses	6,040,963	6,880,810
Electricity, water and fuel cost	5,434,983	3,434,884
Taxes and other liabilities	2,096,266	1,422,433
Travel expenses	1,303,226	960,611
Insurance expenses	1,168,646	743,522
Amortisation expense related with leases	672,962	-
Other	15,552,896	8,376,621
<b>Total</b>	<b>270,967,030</b>	<b>210,306,555</b>

### 20. OTHER OPERATING EXPENSES

The details of the Company's other operating expenses for the accounting periods of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Losses from fix asset sales	379,167	-
Expected credit loss provision expense	108,453	18,473
Other expenses	68,600	109,348
<b>Total</b>	<b>556,220</b>	<b>127,821</b>

### 21. FINANCIAL INCOMES AND EXPENSES

The details of financing income and expenses of the Company for the periods 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
<b>Financial income</b>		
Interest income on time deposits	11,257,509	17,487,500
Foreign exchange gains	8,887,465	11,196,930
<b>Total</b>	<b>20,144,974</b>	<b>28,684,430</b>

## KKB KREDİ KAYIT BÜROSU A.Ş. CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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### 21. FINANCIAL INCOMES AND EXPENSES (Continued)

	1 January - 31 December 2019	1 January - 31 December 2018
<b>Financial expenses (-)</b>		
Foreign exchange loss	7,569,416	18,537,218
Interest expenses	895,674	852,932
<b>Total</b>	<b>8,465,090</b>	<b>19,390,150</b>

### 22. TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Provision for corporate tax	4,052,721	9,349,815
Prepaid corporate tax (-)	(11,561,765)	(13,284,885)

**Current period tax (asset)/liability, net** **(7,509,044)** **(3,935,070)**

"Law on the Amendment of Some Tax Acts and Some Other Laws" numbered 7061 is published on Official Gazette dated 5 December 2017 and numbered 30261. With the temporary amendmend on 32<sup>nd</sup> article of Law numbered 5520, the corporate tax rate has been determined as 22% that to be applied to earnings generated in the 2018, 2019 and 2020 fiscal periods.

Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly on their corporate income. Advance tax declaration is made by the 14<sup>th</sup> day and payable by the 17<sup>th</sup> day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25<sup>th</sup> of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they may issue re-assessments based on their findings.

## KKB KREDİ KAYIT BÜROSU A.Ş. CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 22. TAX ASSETS AND LIABILITIES (Continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

The tax expenses in the statement of profit or loss for the periods ended at 31 December 2019 and 2018 are summarized below:

	1 January - 31 December 2019	1 January - 31 December 2018
Current tax charge (-)	(4,052,721)	(9,349,815)
Deferrred tax expense (-)	(2,031,856)	(3,030,953)
<b>Total tax expense (-)</b>	<b>(6,084,577)</b>	<b>(12,380,768)</b>

As of 31 December 2019 and 2018, the Company's tax reconciliation is presented as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	28,265,046	53,586,369
Theoretical tax expense calculated with current tax rate (-)	(6,218,310)	(11,789,001)
Effect of change in tax rate <sup>(*)</sup>	-	(469,432)
(Disallowable expenses)/discounts, net	133,733	(122,335)
<b>Total tax expenses</b>	<b>(6,084,577)</b>	<b>(12,380,768)</b>

<sup>(\*)</sup> Due to a change in the corporate tax rate as detailed above, The Company has prepared deferred tax assets and liabilities based on the effective tax rates for the periods in which the assets will be realized or the liabilities are fulfilled. For the temporary differences expected to be eliminated in 2018, 2019 and 2020, a deferred tax asset or liability of 22% is calculated.

#### Deferred Tax

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liabilities are offset in the financial statements.

Deferred tax liabilities calculated on accumulated temporary differences subject to deferred taxation as of 31 December 2019 and 2018 have been prepared using the related tax rates effective for the periods when the related liabilities are expected to be realized and reflected to the financial statements.

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#### 22. TAX ASSETS AND LIABILITIES (Continued)

The details of the deferred tax calculations as of 31 December 2019 and 2018 are as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Provision for unused vacation (Note 13)	5,952,233	3,736,612	1,309,491	822,055
Provision for termination (Note 11)	1,886,824	2,087,456	415,101	459,240
Lease liabilities and right of use asset, net	123,986	-	27,277	-
Provision for expected credit loss	108,453	18,473	23,860	4,064
<b>Deferred tax assets</b>	<b>8,071,496</b>	<b>5,842,541</b>	<b>1,775,729</b>	<b>1,285,359</b>
Depreciation adjustment of tangible and intangible assets (-)	(52,965,800)	(40,768,511)	(11,652,476)	(8,969,072)
<b>Deferred tax liabilities (-)</b>	<b>(52,965,800)</b>	<b>(40,768,511)</b>	<b>(11,652,476)</b>	<b>(8,969,072)</b>
<b>Deferred tax liabilities (-), net</b>			<b>(9,876,747)</b>	<b>(7,683,713)</b>

The details of the movement table of the deferred tax liabilities for the periods ended at 31 December 2019 and 2018 are as follows:

	2019	2018
<b>Beginning of the period - 1 January</b>	<b>(7,683,713)</b>	<b>(4,694,315)</b>
Deferred tax expense recognized under the statement of profit or loss (-)	(2,031,856)	(3,030,953)
Deferred tax (expense)/income recognized under equity	(161,178)	41,555
<b>End of the period - 31 December</b>	<b>(9,876,747)</b>	<b>(7,683,713)</b>

#### 23. INCOME FROM INVESTING ACTIVITIES

The details of the income obtained from the investment activities of the Company for the periods 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Income from sale of tangible and intangible assets	2,723,363	223,057
<b>Total</b>	<b>2,723,363</b>	<b>223,057</b>

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#### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Due to its operations, The Company is exposed to cash flow risk, market risk arising from interest risks, capital risk, credit risk and liquidity risk. The Company's risks management policy focuses on unexpected changes in financial markets.

The management policy of financial risks is performed by the Company's senior management and finance department in line with its policies and strategies approved by the Board of Directors. The Board of Directors prepares principles and policies in general to manage exchange rate, interest and capital risks and closely monitors financial and operational risks.

The Company is exposed to the following risks during its operations:

Credit Risk

Liquidity Risk

Market Risk

Capital Risk

This note is presented to inform the Company about its objectives, policies and processes under these risks if the Company is exposed to the above mentioned risks.

# KKB KREDİ KAYIT BÜROSU A.Ş.

## 31 ARALIK 2019 HESAP DÖNEMİNE AİT FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR

(TUTARLAR AKSI BELİRTİLMEYİNCİ TÜRK LİRASI ("TL") OLARAK GÖSTERİLMİŞTİR.)

### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### a) Credit risk:

Credit risk arises from deposits in banks, receivables from related parties and other trade receivables. In addition, it holds the financial assets also carries the risk of the third party's not meeting the requirements of the agreement. The Company management meets these risks by limiting the average risk for the counterparty in each agreement. Trade receivables are evaluated by the Company management on the basis of past experiences and current economic situation and presented in the balance sheet.

As of 31 December 2019 and 2018, the credit risk exposure for the financial instruments is as follows:

31 December 2019	Trade receivables		Other receivables		Cash and cash equivalents at banks	
	Related party	Third party	Related party	Third party	Related party	Third party
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)</b>	<b>27,998,113</b>	<b>4,318,907</b>	<b>-</b>	<b>-</b>	<b>62,516,001</b>	<b>10,013,057</b>
- Maximum credit risk secured guarantees etc	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	27,998,113	4,318,907	-	-	62,516,001	10,013,057
B. Book value of financial assets that are restricted, otherwise which will be recognized as overdue or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
- Secured by guarantees etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-	-	-
- Non past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TRY"), UNLESS OTHERWISE INDICATED.)

### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### a) Credit risk (Continued):

31 December 2018	Trade receivables		Other receivables		Cash and cash equivalents at banks	
	Related party	Third party	Related party	Third party	Related party	Third party
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)</b>	<b>18,028,648</b>	<b>2,502,153</b>	<b>2,331</b>	<b>249,388</b>	<b>94,423,344</b>	<b>128,918</b>
- Maximum credit risk secured guarantees etc	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	18,028,648	2,502,153	2,331	249,388	94,423,344	128,918
B. Book value of financial assets that are restricted, otherwise which will be recognized as overdue or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
- Secured by guarantees etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-	-	-
- Non past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-



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### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Liquidity Risk:

Prudent liquidity risk management implies holding sufficient cash and marketable securities, the availability of funding through adequate credit transactions and the ability to close out market positions.

The risk of being able to fund the existing and prospective debt requirements is managed by maintaining the availability of sufficient number of credit providers and sufficient amounts of funds generated from operations. The Company management monitors the collection of customer receivables on maturity and tries to avoid any financial burden on the Company in order to ensure uninterrupted liquidation and, as a result of the works carried out with the banks, the cash and non-cash credit limits are determined.

As of 31 December 2019 and 2018, the analysis of liquidity risk by type of financial liability is as follows:

31 December 2019:

Maturity in accordance with the agreement	Book value	Total cash outflow in accordance with the agreement (=I+II+III)	Up to 3 months ( I )	3 - 12 months (II)	1 - 5 years (III)
<b>Non derivative financial liabilities</b>					
Financial leasing payables	7,027,358	7,218,924	2,160,257	3,766,753	1,291,914
Trade payables	33,698,895	33,698,895	33,698,895	-	-
<b>Total</b>	<b>40,726,253</b>	<b>40,917,819</b>	<b>35,859,152</b>	<b>3,766,753</b>	<b>1,291,914</b>

31 December 2018:

Maturity in accordance with the agreement	Book value	Total cash outflow in accordance with the agreement (=I+II+III)	Up to 3 months ( I )	3 - 12 months (II)	1 - 5 years (III)
<b>Non derivative financial liabilities</b>					
Financial leasing payables	17,903,912	18,569,612	3,001,216	9,003,646	6,564,750
Trade payables	39,490,049	39,490,049	39,490,049	-	-
<b>Total</b>	<b>57,393,961</b>	<b>58,059,661</b>	<b>42,491,265</b>	<b>9,003,646</b>	<b>6,564,750</b>

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### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### c) Market risk:

##### i) Currency Risk

Foreign exchange risk is primarily based on the existence of foreign currency denominated debt and assets in US Dollars and Euros and the exchange rate risk arising from foreign currency exchange rate changes during translation of these to TRY.

Foreign currency position table:

	31 December 2019		31 December 2018			
	Total	Euro	US Dollar	Total	Euro	US Dollar
1. Trade receivables	-	-	-	-	-	-
2a. Monetary financial assets (including cash, cash at banks etc.)	4,545,887	140,842	4,405,045	46,166,545	30,186,552	15,979,993
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	199,518	199,518	-	144,048	144,048	-
<b>4. Current assets (1+2+3)</b>	<b>4,745,405</b>	<b>340,360</b>	<b>4,405,045</b>	<b>46,310,593</b>	<b>30,330,600</b>	<b>15,979,993</b>
5. Trade receivable	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Fixed assets (5+6+7)	-	-	-	-	-	-
<b>9. Total assets (4+8)</b>	<b>4,745,405</b>	<b>340,360</b>	<b>4,405,045</b>	<b>46,310,593</b>	<b>30,330,600</b>	<b>15,979,993</b>
10. Trade payables	(7,910,408)	(218,572)	(7,691,836)	(18,079,681)	(352,698)	(17,726,983)
11. Financial liabilities	(6,485,669)	(5,455,848)	(1,029,821)	(10,894,138)	(9,883,834)	(1,010,304)
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>(14,396,077)</b>	<b>(5,674,420)</b>	<b>(8,721,657)</b>	<b>(28,973,819)</b>	<b>(10,236,532)</b>	<b>(18,737,287)</b>
14. Trade payable	(76,785)	(199)	(76,586)	(5,716,694)	(4,792,401)	(924,293)
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
<b>17. Long-term liabilities (15+16+17)</b>	<b>(76,785)</b>	<b>(199)</b>	<b>(76,586)</b>	<b>(5,716,694)</b>	<b>(4,792,401)</b>	<b>(924,293)</b>
<b>18. Total liabilities (13+17)</b>	<b>(14,472,862)</b>	<b>(5,674,619)</b>	<b>(8,798,243)</b>	<b>(34,690,513)</b>	<b>(15,028,933)</b>	<b>(19,661,580)</b>
<b>19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)</b>	-	-	-	-	-	-
19a. Total amount of hedged assets	-	-	-	-	-	-
19b. Total amount of hedged liabilities	-	-	-	-	-	-
<b>20. Net foreign currency position of assets/(liabilities) (19+9-18)</b>	<b>(9,727,457)</b>	<b>(5,334,259)</b>	<b>(4,393,198)</b>	<b>11,620,080</b>	<b>15,301,667</b>	<b>(3,681,587)</b>
<b>21. Net foreign currency positions of assets/liabilities(monetary items) (1+2a+3+5+6a-10-11-12a-14-15-16a)</b>	<b>(9,727,457)</b>	<b>(5,334,259)</b>	<b>(4,393,198)</b>	<b>11,620,080</b>	<b>15,301,667</b>	<b>(3,681,587)</b>
<b>22. Total fair value of financial instruments used for foreign currency hedge</b>	-	-	-	-	-	-

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**24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

i) Currency risk (Continued)

Exchange rate sensitivity table

	31 December 2019		31 December 2018	
	Profit/Loss	Profit/Loss	Profit/Loss	Profit/Loss
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>In case of 20% change in the value of US Dollar against TRY:</b>				
1- US Dollar net asset/liability	(878,640)	878,640	(736,317)	736,317
2- US Dollar currency hedging (-)	-	-	-	-
<b>3- US Dollar effect-net (1+2)</b>	<b>(878,640)</b>	<b>878,640</b>	<b>(736,317)</b>	<b>736,317</b>
<b>In case of 20% change in the value of Euro against TRY:</b>				
4- Euro net asset/liability	(1,066,852)	1,066,852	3,060,333	(3,060,333)
5- Euro currency hedging (-)	-	-	-	-
<b>6- Euro effect-net (4+5)</b>	<b>(1,066,852)</b>	<b>1,066,852</b>	<b>3,060,333</b>	<b>(3,060,333)</b>
<b>Total (3+6)</b>	<b>(1,945,492)</b>	<b>1,945,492</b>	<b>2,324,016</b>	<b>(2,324,016)</b>

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**24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

ii) Interest rate risk

The need of Company's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Company to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

Interest position table

Fixed rate financial instruments	31 December 2019	31 December 2018
Time deposits	69,817,322	92,744,552
Short term borrowings	6,957,116	11,726,416
Long term borrowings	70,242	6,177,496

As of 31 December 2019, the Company has no interest-sensitive financial assets. (31 December 2018: None). Since the Company does not have any floating rate financial assets, the Company is not exposed to interest rate risk. Therefore, the interest rate sensitivity table is not presented.

d) Capital risk management

The Company manages its debt and equity balance in the most efficient manner by examining the maturities of cash and trade receivables and financial and commercial debts from its operations while trying to ensure the continuity of its activities. Risks associated with each capital class together with the capital cost of the Company are evaluated by the top management. The Company management presents these risks to the Board of Directors. Based on the evaluations of the management and the Board of Directors, the Company aims to balance its capital structure through dividend payments as well as through new borrowing or payment of existing debt.

**25. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The fair value of short-term assets and liabilities other than trade receivables and borrowings is considered approximate to the carrying value, since the discount effect of fair value is insignificant.

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### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2019 and 2018, the carrying amount and fair value of financial assets and liabilities are as follows;

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	72,529,058	72,618,405	94,552,262	94,559,520
Trade receivables	32,317,020	32,332,296	20,530,801	20,542,016
<b>Financial liabilities</b>				
Leasing payables	7,027,358	7,218,924	17,903,912	18,569,612
Trade payables	33,698,895	33,698,895	39,490,049	39,490,049

Fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

As of 31 December 2019 and 2018, the Company does not have any financial assets or liabilities which are carried at fair value.

### 26. SUBSEQUENT EVENTS

On 16 October 2019, the Company applied to the Ministry of Industry and Technology General Directorate of R&D Incentives to obtain an R&D Center Certificate within the scope of law numbered 5746. The application has been approved as a result of inspections and it has been approved on 7 January 2020 officially. As of this day, the Company will be able to benefit from the incentives and exemptions provided under the law numbered 5746 based on the deadlines set by the legislation.

