



# Annual Report 2013

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## Agenda of the Ordinary General Assembly - March 27th 2014

1. Commencement, constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly,
2. Review and discussion of the Annual Reports of the Board of Directors, Declaration of Compliance with the Corporate Governance Principles and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within the year of 2013,
3. Review, discussion and approval of the balance sheet and profit and loss statement of the Bank for the year of 2013,
4. Release of the Members of the Board of Directors,
5. Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend allotment date,
6. Determination of allowance for the Members of Board of Directors,
7. Approval of the appointment of the members of the Board of Directors substituting the members leaving their post during the year and approval of the Independent Member nominated and submission of the information regarding the assignments assumed by the members externally and the justifications of such assignments to the shareholders,
8. Election of Independent Audit Firm,
9. Presentation of the information regarding the donations made within the year and determination of the upper limit for donations to be made within the year 2014,
10. Presenting the Profit Allotment Policy for the approval of the General Assembly,
11. Presenting the Bank's Disclosure Policy to the Shareholders,
12. Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,
13. Presenting information regarding the transactions within the scope of Article 1.3.6. of the Communiqué on Determination and Implementation of Corporate Governance Principles of the Capital Markets Board.

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Supporting Turkey's economic development for 64 years, TSKB generates high added-value with its extensive, deeply rooted experience and know-how and sharing it with its clients through a wide array of products and services.

As the pioneer of sustainable banking in Turkey, TSKB offers products and services to a broad client base in the areas of corporate banking, project finance and investment banking.

TSKB's corporate target is to contribute to the sustainable growth of Turkish economy by further enhancing its strong position and profitability in its primary fields of activity.



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## Corporate Profile

### **TSKB is a supporter of the Turkish private sector that invests in the future.**

Founded in 1950 with the mission to finance Turkey's private sector investments, TSKB is backed by strong resources.. The Bank demonstrates its support and contributions to economic development through:

- providing long-term funds to medium and large sized investment projects,
- supporting SMEs, which are the capillary vessels of the Turkish economy,
- offering banking products and services to the public-private partnership projects (PPP) and
- customized advisory and brokerage services to clients in the area of development and investment banking.

### **TSKB shares the added value it produces with its clients through a rich array of products and services.**

TSKB has a deep and extensive knowledge and broad experience in the area of development and investment banking.

With its strategies focused on Turkey's long-term economic development potential, the Bank provides financing and advisory support for mergers & acquisitions and corporate restructuring, as well as its thematic loans and project finance in a wide range of areas such as manufacturing, energy and resource efficiency, renewable energy, sustainable tourism and environmental activities. The Bank also serves its corporate clients with capital markets brokerage, treasury transactions and financial leasing services.

### **The pioneer of sustainable banking in Turkey.**

Having adopted the principle of sustainability with its economic, environmental and social dimensions and implemented a number of initiatives to this end, TSKB has carved out a name for itself both in Turkey and abroad as one of the representatives of sustainability in Europe.

In its financing activities, TSKB takes environmental and social risk factors just as seriously as economic risk factors. This approach, as a pillar of the Bank's robust financing methodology, plays a key role in TSKB's strong expression of support to the Turkish private sector which invests in the future.

### **As one of the most recognized Turkish banks in the global markets, TSKB is a reputable participant in these markets.**

With the World Bank actively involved in its foundation, TSKB operates in continuous cooperation with leading participants of global markets, particularly supranational financial institutions.

TSKB's international business partners include international institutions such as European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW), Council of Europe Development Bank (CEB), International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD) and Islamic Development Bank (IDB).

### **A member of the Isbank (Türkiye İş Bankası) Group**

50% of TSKB shares are held by the Türkiye İş Bankası Group and 39.2% of its shares are quoted on the BIST National Market under the "TSKB" ticker. The Bank operates through its head office in Istanbul and branches in Ankara and Izmir. According to figures for the end of 2013, TSKB's loan portfolio had reached TL 9.2 billion in size with total assets of TL 12.9 billion.



## Our Vision

TSKB realizes its operations with the vision of being the pioneering bank in Turkey's sustainable development.

## Mission



## Our Resources

Solid capital structure and strong shareholders

Reliability among international and funding institutions

The ability to access low cost, long term funding

Professional and expert human resources experienced in international banking and finance standards

The capability to reach an extensive client network with low operational costs

Reliable and up to date technology infrastructure

## Our Goals

TSKB's corporate objective is to improve its leader position and profitability in the fields of corporate loans, project finance and investment banking which compose its main scope of business. TSKB has vigorously achieved this objective thanks to its proactive business strategies which the Bank has put into practice in recent years.

TSKB will continue to provide funds for the Turkish economy and support the Turkish private sector.

In order to raise the funds required to contribute to Turkey's constant economic development, TSKB is determined to provide the most attractive financing facilities of the market for its clients. Within this framework, the bank always maintains and improves a deep, extensive cooperation with international financial institutions and banks.

Having undertaken significant roles in advisory services for the largest privatization projects, corporate finance transactions and M&As in Turkey, TSKB will continue to be one of the most active players in these markets in the following years.

TSKB is determined to pioneer the concept of "sustainable banking" with firsts in the industry, as well as in social responsibility projects which it undertakes with the goal of raising environmental awareness.

## Capital Structures - Key Indicators and Ratios

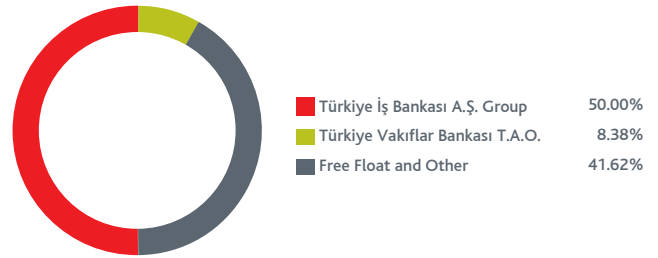
### Ownership Structure

Türkiye İş Bankası A.Ş., through its direct or indirect control, is the main shareholder and has the authority of managing, controlling and auditing. The distribution of the Bank's 1,300,000,000 TL paid-in-capital and ownership structure is presented as follows:

#### Shareholder Structure (%)

Türkiye İş Bankası A.Ş. Group	50.00
Türkiye Vakıflar Bankası T.A.O.	8.38
Free Float and Other	41.62
<b>Total</b>	<b>100.00</b>

The shares owned by the Board Members, Auditors, Chief Executive Officer and Vice Executive Presidents are negligible.



### Key Indicators and Ratios

Acting upon its target to become a pioneering company in Turkey's sustainable development, TSKB continued to produce added value in a consistent manner under the volatile market conditions of 2013.

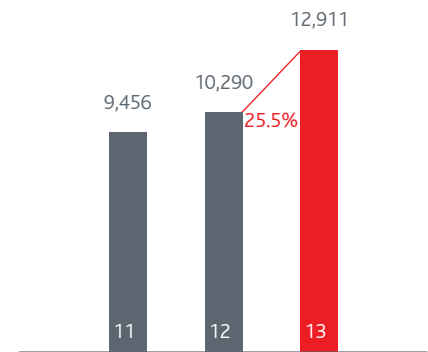
The performance demonstrated by TSKB in 2013 has proven the Bank's effectiveness and efficiency and the appropriateness of its processes and corporate organization.

By deploying its capabilities in the most accurate manner on the basis of its high brand strength, TSKB is determined to serve more clients and increase its placements in the Turkish market, which offers sustainable growth potential in the mid- and long-term.

Key Indicators (TRY million)	2009	2010	2011	2012	2013
Total Assets	6,905	7,912	9,456	10,290	12,911
Loan Portfolio	3,955	4,843	6,395	6,895	9,177
Shareholders' Equity	1,041	1,264	1,366	1,755	1,885
Net Profit	175	212	255	307	326

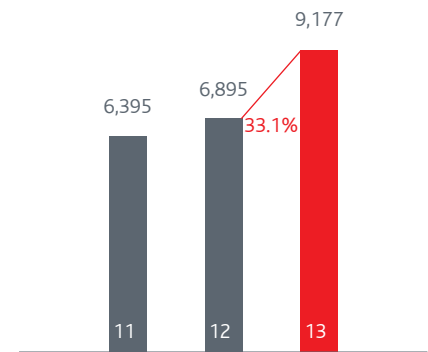
(%)	2009	2010	2011	2012	2013
Average Return on Equity	19.5	18.4	19.4	19.7	17.9
Average Return on Assets	2.7	2.9	2.9	3.1	2.8
Capital Adequacy Ratio	24.9	22.7	19.1	20.4	18.2

#### Total Assets (TL million)



In 2013 TSKB's total assets grew by %25.5.

#### Loan Portfolio (TL million)



In 2013 TSKB's loan portfolio grew by %33.1.

#### Credit Ratings

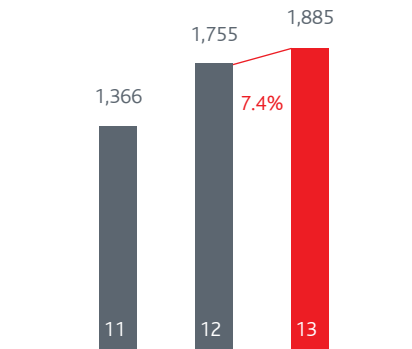
##### FITCH RATINGS

Fitch Ratings, an international credit rating agency, raised TSKB's "Long-Term Credit Rating in Local Currency" to "BBB" in view of its changing rating methodology. It also determined the Bank's outlook as "Stable". Accordingly, the "Support Rating Base" which was assigned to TSKB for the first time was determined as "BBB-". The Bank's "Long-Term Credit Rating in Foreign Currency" and its outlook were determined as "BBB-" and "Outlook" respectively and its "Short-Term Credit Rating in Local and Foreign Currencies" and "Support Rating" were confirmed as "F3" and "2" respectively.

##### MOODY'S

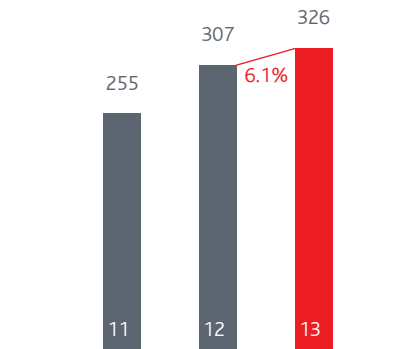
On the credit report dated: November 4th, 2013 published for TSKB, Moody's, an international credit rating agency, did not change TSKB's ratings given on July 3rd, 2012. The Bank's "Financial Strength Rating", "Long-Term Issuer Credit Rating in Foreign and Domestic Currencies" and "Short-Term Issuer Credit Rating in Foreign and Domestic Currencies" were confirmed as "D+", "Baa3" and "P-3", respectively. The outlook of all three ratings is "Stable". TSKB's credit ratings are presented in detail on page 199.

### Shareholders' Equity (TL million)



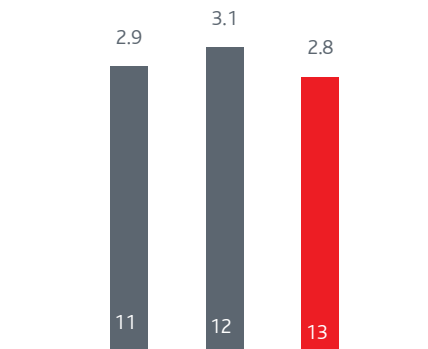
TSKB raised its shareholders' equity by 7.4%, maintaining its strong capital structure in 2013.

### Net Profit (TL million)



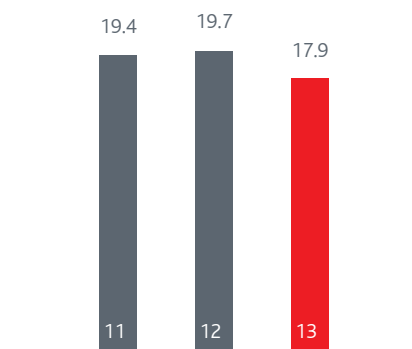
The Bank increased its profit by 6.1% YoY.

### Average Return on Assets (%)



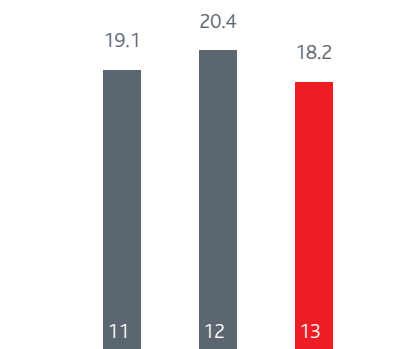
TSKB provided a 2.8% return on assets, well above the sector average.

### Average Return on Equity (%)



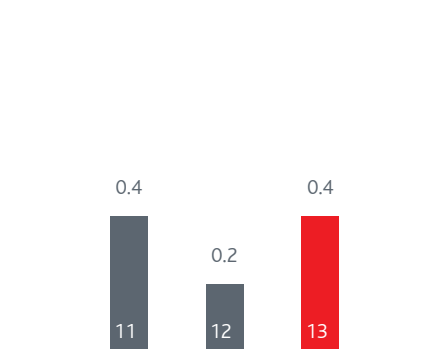
The Bank produced an average return on equity of 19% over the last 5 years.

### Capital Adequacy Ratio (%)



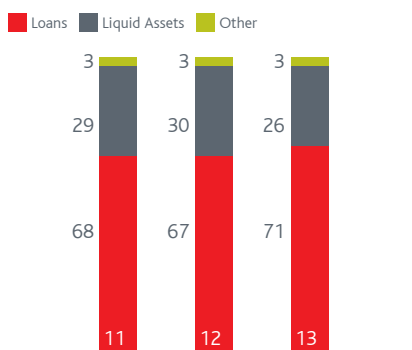
A high capital adequacy ratio will support the Bank's growth in 2014 and beyond, in line with its projections.

### NPL Ratio (%)



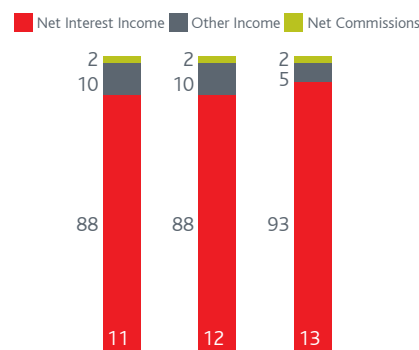
TSKB has maintained its asset quality with a 0.4% non-performing loans ratio which is the lowest in the sector.

### Assets Composition (%)



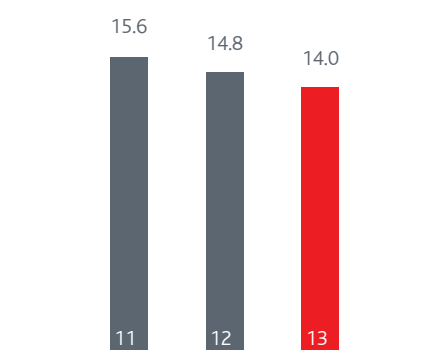
Loans account for 71% of the Bank's assets

### Income Breakdown (%)



Net interest income accounts for 93% of TSKB's total income

### Cost/Income Ratio (%)



Basing its operations on a principle of high efficiency, TSKB's cost/income ratio is considerably lower than the sector average.



## Milestones from 1950 to 2013

### 1950s

Founded with the mission of supporting the development of the Turkish private sector, TSKB undertook key duties in the area of investment and development banking: securing medium and long-term credit for private-sector projects, providing technical support to project sponsors, and conducting preliminary studies and initiatives for and then spearheading and initiating the formation of the capital markets in Turkey. During the same period, TSKB was the only bank capable of supplying the foreign currency credit needed to finance imports of capital goods and it was also the only organization handling cash sales of foreign currencies released under the Marshall Plan.

### 1960s

TSKB issued, underwrote and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings. The Bank became the first company in Turkey to be audited by an internationally recognized independent auditor during the same period. TSKB undertook important roles in the country's industrialization, and provided financial support for a wide range of manufacturing activities including the first Turkish-made buses and automobiles, automobile tires, LPG canisters, high-voltage cables, batteries, cardboard, plastics and acrylic fibers..

### 1970s

TSKB played a key role in encouraging private-sector investment in Turkey's developing regions.

During this period, the Bank carried out the first issuance of its own long-term bonds while also tapping into the European credit market with its first medium-term syndications. Meanwhile, TSKB achieved another "first" by starting to offer comprehensive research services for the manufacturing and services sectors as well.

### 1980s

TSKB continued to provide funding to the private sector within the context of investment and development banking. During the same period, the Bank embarked on highly important ventures in its international relations: TSKB successfully issued a series of "Samurai bonds" in the Japanese capital market. By diversifying its relations with European and Japanese financial institutions, the Bank secured new sources of funding. In these years, TSKB played an active role in Turkey's Privatization Master Plan and served as an advisor for the privatization of the country's state-owned cement plants.

### 1990s

TSKB strengthened its effectiveness in the investment banking business in Turkey. At the same time, the Bank continued to develop and diversify its cooperation with international banks, as well. Long-term foreign currency and interest rate swap agreements were signed with international financial institutions. The Bank served as an advisor for the European Bank for the Reconstruction and Development (EBRD) in Uzbekistan. The 1990s was also a period of successful initial public offerings for TSKB. Leading the establishment of over-the-counter-bond and capital stock markets, the Bank became more effective with the establishment of the Istanbul Stock Exchange (BIST) and maintained its leading position in these markets.

### 2000s

TSKB's rise through sustainable banking accelerated continuously in this period. Seeking to enhance its presence and reputation in the international arena, TSKB tapped into the international syndication and murabaha markets for the first time. In a world where protecting the environment had been a primary issue in those years, TSKB started its first lending activities that incorporated "environmentally aware" criteria. In addition to lending directly to firms, the Bank also began to provide an increasing volume of resources to SMEs through indirect funding in coordination with commercial banks and leasing companies within the context of its "APEX banking" operations.

TSKB became the first Turkish bank to receive the ISO 14001 Environmental Management System certification. For three years in a row, TSKB has been the recipient of the "Sustainable Bank of the Year" Award under the "Sustainable Banking Awards" program conducted jointly by the Financial Times (FT) and the International Finance Corporation (IFC). TSKB became Turkey's first "carbon-neutral" bank. The Bank has taken yet another important step by joining other international organizations that are conscious of the environment and of sustainable development as a member of the United Nations Environment Programme Finance Initiative (UNEP FI). The Bank also signed the UN Global Compact.

### 2010s








TSKB extended a significant volume of funds to renewable energy projects that support the transition to a low carbon economy. Having financed a total of 98 renewable energy projects as of the end of 2013, TSKB also included energy efficiency within the scope of its loan granting activities during the same period. TSKB had financed a total of 57 projects as of the end of 2013 in a range of industries where energy efficiency is vital. The Bank has thus contributed to the Turkish economy as well as Turkey's target of switching to a low carbon economy.

The global financial crisis that left its mark in this period also brought significant changes to the capital markets. While there was a rapid expansion in product diversity during this period, the level of interest rates - which dipped to record low levels as a result of the recent global crisis - paved the way for new income opportunities. As an ambitious and experienced bank in terms of product and service architecture, TSKB began to offer diverse alternative investment opportunities to investors, both in domestic and international markets, by means of capital-guaranteed and other guaranteed products.

During the same years, TSKB was actively involved in the privatization of electricity distribution companies, as well as advisory for asset purchases and sales, acquisition finance, bond issuances and public offerings in Turkey. While the theme of sustainable tourism was included in TSKB's loan program in 2013, the Bank received long-term resources from KfW without the guarantee of the Undersecretariat of Treasury under the Prime Ministry of the Republic of Turkey.



## Firsts & Innovations

	<b>1950s</b>	<ul style="list-style-type: none"> <li>• Provide technical advisory services to project sponsors</li> <li>• Provide medium and long term finance to private sector projects</li> </ul>
	<b>1960s</b>	<ul style="list-style-type: none"> <li>• Underwrite and guarantee corporate bond issues</li> <li>• Offer its mature bonds from its investment portfolio to public</li> <li>• Issue its own long term bonds</li> <li>• Have its records audited by an independent audit company</li> </ul>
	<b>1970s</b>	<ul style="list-style-type: none"> <li>• Promote private investment incentive in under-developed regions</li> <li>• Mobilize funds through medium term syndicated loans from European markets</li> <li>• Undertake major sector research services for manufacturing and service sectors</li> </ul>
	<b>1980s</b>	<ul style="list-style-type: none"> <li>• Develop short term econometric model of the Turkish economy</li> <li>• Develop cash-flow model of Turkish financial sector</li> <li>• Extend hedged foreign currency investment loans</li> <li>• Issue its own bonds in international capital markets</li> <li>• Conduct manufacturer surveys among various sectors</li> <li>• Provide export insurance loans from European and Japanese financial institutions</li> <li>• Offer advisory services in textile and other sectors in cooperation with international advisors</li> <li>• Offer advisory services for the privatization of public cement factories</li> <li>• Issue its short term bonds as well as guarantee and market those of its clients</li> <li>• Prepare Turkey's first privatization master plan</li> <li>• Realize the first public offering as an underwriter</li> <li>• Establish line of equity relations with Islamic Development Bank</li> </ul>
	<b>1990s</b>	<ul style="list-style-type: none"> <li>• Sign long term foreign currency and interest swap agreements with international banks</li> <li>• Provide floating-rate medium term Turkish Lira loans to the banking sector</li> <li>• Provide consulting services for ERBD in Uzbekistan</li> <li>• Management of a Risk Capital Fund provided by the European Investment Bank</li> <li>• Undertake a voluntary "Risk Management Review" supported by World Bank</li> </ul>
	<b>2000s</b>	<ul style="list-style-type: none"> <li>• Extend a credit line specifically for a "healthier environment"</li> <li>• First bank to establish a real estate appraisal company approved by Capital Markets Board of Turkey</li> <li>• Provide secretariat services to the Istanbul Approach</li> <li>• Develop a risk-based loan pricing model</li> <li>• First Turkish bank to receive a loan from the French Development Agency</li> <li>• First and only Turkish bank to become a shareholder of European Investment Fund (EIF)</li> <li>• First Bank with Turkish equity having ISO14001 Certificate</li> <li>• First Turkish bank to calculate and remove its carbon footprint</li> <li>• First and only Turkish bank which was awarded "Sustainable Bank of the Year of Eastern Europe Region" in 3 consecutive years between 2008-2010 in the event organized by Financial Times and International Finance Corporation</li> </ul>
	<b>2010s</b>	<ul style="list-style-type: none"> <li>• First Turkish bank to release the GRI approved sustainability report</li> <li>• UNEP FI and Global Compact membership</li> <li>• First and only Turkish bank to be granted a membership in Long-Term Investors' Club (LTIC)</li> <li>• Issue 16 thematic mutual funds between 2009 and 2012</li> <li>• Secure the first EBRD loan which aims to finance SME projects for the agricultural industry in Turkey</li> <li>• First Turkish Bank to be qualified for ISO14064-1 Greenhouse Gas Verification Certificate</li> <li>• Sign a restricted mudaraba agreement with the Islamic Development Bank to finance renewable energy and energy efficiency projects</li> <li>• Become the founder member of International Development Finance Club (IDFC)</li> <li>• First loan agreement with KfW without any guarantee of the Republic of Turkey Prime Ministry Undersecretariat of Treasury.</li> <li>• The first A+ level Sustainability Report approved by GRI (Global Reporting Initiative) in the sector</li> </ul>

## Awards

TSKB confidently moves towards the future with its banking solutions and strategies on national and international platforms.

### 2010s



- Owner of the Highest Corporate Governance Rating Score - TKYD
- Climate Change Leaders - CDP Turkey
- European Regional Sustainable Bank of the Year Award Finalist - FT / IFC
- European Transport Privatization Deal of the Year - Project Finance Deals of the Year
- Renewable Energy Best Solution Partner Award - TIREC
- Best Equity House in Turkey - EMEA Finance
- Sustainable Bank of the Year award in the Eastern Europe - FT / IFC
- Best Equity Acquisition Deal of the Year - Euromoney
- Hydro Power Deal of the Year - Euromoney
- Owner of the Highest Corporate Governance Rating Score- TKYD
- Infrastructure Deal of the Year - PFI
- Project Finance Deal of the Year - Euromoney
- Geothermal Deal of the Year - Euromoney
- Best Corporate Merger and Acquisition - Euromoney
- Best Local Partner - Euromoney
- Turkey's Best Investment Bank - Euromoney
- Highest rating given for a bank in developing economies - Thomson Bankwatch
- Turkey's Best Research Organization - Emerging Markets Investor Magazine

### 1990s

## TSKB's Portfolio of Products and Services



## Chairman's Message



Esteemed shareholders,

**The recent economic recovery observed in developed countries has begun to have significant impacts on international financial markets, especially emerging markets.**

In its final meeting in 2013, the US Federal Reserve Bank stressed that the US economy had been providing notable signals of a recovery and that it could wind down its asset purchases depending on developments related to employment and inflation in 2014. This announcement which is being debated since the first months of 2013, is likely to be a new and crucial milestone in the new post-crisis period that broke out with the collapse of Lehman Brothers in 2008.

Macroeconomic data from the Eurozone in recent months indicates that the region is demonstrating some improvement, but that the rate of growth remains slow. Moreover, leading indicators show that it will take a little longer for the Eurozone to post a recovery as strong and sustainable as the USA.

What essentially sets Europe apart from the USA is its problems with respect to the system and public finance. The most important factor behind the economic crisis in Europe was the lack of supervision and control mechanism, which would normally allow financial markets in the region to operate in harmony. This

situation has moved the market economy and public finance in opposite directions and the crisis has led to different consequences in each country.

Through the Single Supervisory Mechanism (SSM) which will be effective by the end of 2014, the European Central Bank (ECB) will be the only controlling authority of banks in the Eurozone, providing it with the opportunity to intervene in possible banking crises directly and from a single point.

When this general outlook is considered together with the more positive developments in the USA, it becomes apparent that the liquidity injected to the market by central banks of developed countries through the expansionary monetary policies applied in recent years will shortly be drawn back. Similar to the other emerging markets, this precipitated considerable volatility in Turkish financial markets during 2013. It is believed that global economic growth would relatively gain momentum in 2014. On the other hand, the inflation rate which was in a downward trend in 2013 because of falling global energy prices is expected to rise in USA and Europe to a limited extent. It is projected that economic recovery in USA would speed up, while Europe is estimated to grow at around 1% in 2014, a relatively moderate growth rate.

**In 2013, Turkey maintained its efforts to adapt to the changing circumstances of the global economy.**

Global developments in 2013 divided the year into two different eras, with global trends taking a sharp turn for the worse in the second half of the year.

The liquidity which was created via expansionary monetary policies is now on the verge to be drawn from emerging markets. The dynamics behind this situation should be carefully and closely monitored. Although this process led by economic recovery in developed countries initially causes market volatility, improving foreign trade figures could positively affect these countries in time. As long as capital flows are managed correctly and financial stability is maintained, the Turkish economy will be able to gain momentum in exports, with the help of growth in foreign demand.

It is thought that with the contribution of macroeconomic measures taken by regulatory authorities, a more balanced outlook will be maintained in Turkey in terms of investment and consumption spending, and that this situation will support and help Turkey demonstrate sustainable economic growth.

When we recall what we experienced during the global crisis period, it is apparent that sustainable macroeconomic indicators, political stability and a strong banking industry are of paramount importance in preventing the fluctuations in global markets from affecting the Turkish economy severely or for a prolonged period.

Maintaining Turkey's credit rating at its current investment grade rating in 2014 and beyond will be of crucial importance. When compared to other countries in the region, Turkey offers extremely strong competitive advantages in a number of different areas, such as its macroeconomic performance and stability, legislation which meets international standards, technical infrastructure, trained and highly qualified personnel and a dynamic business world. In the coming period, the basic target should be to reflect these competitive advantages to macroeconomic performance and enable Turkey to differentiate itself positively.

**The banking industry maintained its strong balance sheet structure and profitability in 2013.**

In the first half of 2013, the Turkish banking industry succeeded in maintaining the growth trend seen in 2012. The increase in domestic consumption expenditures, in particular, played a key role in lifting the rate of growth in the sector's loan volume. Despite this development in loan volume, the indicators of the sector's stability, such as the ratio of non-performing loans and the capital adequacy ratio, were maintained at reliable levels.

In the light of the developments in international markets, the CBT's tightening tendency in its monetary policy is believed to have become a primary factor limiting the sector's credit volume growth in the period to come.

In addition to the deposits which are the primary source of funding in the sector, the banking industry also continued to secure funding through borrowing from foreign institutions and acquire funds through repurchase transactions in order to meet its financing needs in 2013. The monetary policy recently applied by the CBT has slightly raised banks' funding costs. On the other hand, the players in the banking industry successfully financed economic growth by creating alternative sources, such as securities issues.

Securing funds from international institutions is not expected to be an issue for the banking industry in the coming period. However, global liquidity conditions will play a key role in determining the amount and cost of funding.

**TSKB is determined to support the private sector, which invests in the future.**

TSKB has played a key role in the sector since 1950 by helping its clients implement their projects under various economic conjunctures that Turkey and the world have experienced. Our Bank has fulfilled important functions in the formation of Turkish capital markets and pioneered the growth of the sector's ability to borrow from international markets; in brief, we have worked ceaselessly to grow and progress.

Our initiatives, which are analyzed in detail in the "History" section of our report, have also shaped the Turkish private sector's growth journey and its efforts to become competitive on a global scale. Having financed hundreds of companies and projects, and serving an increasing number of clients with international standards, TSKB is a decisive and unalterable supporter of the private sector that produces and invests in the future.

Although 2013 was a year of growth for Turkey, the reflections of international developments in 2013 should be analyzed in detail. TSKB has accurately interpreted the markets and met its budget targets in a challenging year, thanks to its balanced and flexible financial structure.

Its ability to rapidly adapt its corporate strategies to changing market conditions is one of the factors that keep TSKB strong and differentiate the bank from the sector. The control and protection mechanisms which we have developed in all of our business processes, from risk management to client relations, and operations to our mechanism of management, are actively employed. This strong organization structure allows us to expand our assets and to generate the greatest possible added value for our stakeholders.

Our practices in the area of sustainable banking, which also won the acclaim of organizations in Europe, allow us to fulfill our tasks in the area of development and investment banking in a more decisive manner, as well as supporting TSKB's strength under challenging conditions.

**TSKB to focus on growth in 2014 and beyond.**

TSKB aims to reach a greater number of clients and to share its extensive know-how and experience, built over 64 years, with private sector companies in line with its target of sustainable growth. TSKB commands the necessary financial strength to achieve this.

Despite some short-term fluctuations, we believe that the Turkish economy will maintain its healthy growth in the mid- and long-term. TSKB, meanwhile, is determined to progress by providing stronger support for the Turkish business world to manufacture more and invest in the future.

I would like to take this opportunity personally and on behalf of our Board of Directors to thank our shareholders, clients, employees and business partners who all helped us demonstrate such a strong performance in 2013.

Yours sincerely,



**Adnan Bali**  
Chairman of the Board of Directors

## CEO's Message



Esteemed shareholders, clients, colleagues and business partners,

**As a development and investment bank, TSKB continued to grow with determination in 2013 against the backdrop of a fluctuating market environment, and demonstrated a strong performance in parallel with its budget targets.**

TSKB's total assets increased by 25.5% YoY to reach TL 12.9 billion in 2013. The Bank wrote a gross profit of TL 400.9 million and a net profit of TL 326.1 million for the period, while its loan volume grew by 33.1% in line with its budget, to reach TL 9.2 billion. Funds extended by the Bank to the real sector over the last 5 years through investment loans amounted to TL 6.6 billion in total.

TSKB succeeded in protecting and boosting its shareholders' equity in 2013. The Bank's shareholders' equity climbed to TL 1.9 billion while its capital adequacy ratio was realized as 18.2%. Maintaining its strong asset quality, TSKB's non-performing loans ratio was just 0.4% which is significantly below the sector average.

TSKB manages one of the most successful balance sheets in the banking industry, thanks to its strong shareholders' equity and high capital adequacy ratio.

Its growth-oriented strategy, which primarily aims to generate added value

for Turkish economy in line with its mission, paved the way for the Bank to demonstrate such a remarkable performance in 2013.

The most important recent developments in the Turkish banking industry were the increase in resource costs and the measures taken by regulatory authorities to reduce household debt risk. TSKB is relatively unaffected by these developments, due to its unique resource structure and field of activity.

As we enter 2014, TSKB is determined to generate added value permanently, in line with its growth target, for its shareholders, clients, employees and all other stakeholders as a vital supporter of the private sector in all circumstances.

### **TSKB: From past to present**

The strong corporate culture built by TSKB in its 64-year history rests on common pillars of customer orientation, absolute compliance with the principles of corporate governance and sustainability.

The Bank has strong human resources which stand out with their competence. The most significant characteristic of TSKB's human resources is the high level of knowledge and expertise.

Growing on this sound foundation, TSKB operates with a synergic approach in three areas that are completely different from one another.

Development banking, the first of these business fields, is TSKB's starting point. A number of initiatives were taken by the Bank during its history of development banking, which dates back to the 1950s under the guidance of the World Bank. The level of economic developments that Turkey reached in the 21st century have significantly changed the role of development banking.

Not only the new economic conditions, but also the expectations of the Bank's international business partners have guided such transformation. During this process, TSKB's perception, reflexes and approach with respect to sustainability and the environment have changed in parallel with global trends and reached their current maturity level. These concepts indispensably became an integral part of our lives and business approach. During this process, TSKB's redefined corporate responsibility makes it necessary to question the rationale of supplying funds as loans and forces us to act in accordance with such rationale. To sum up, the present point that TSKB has reached in development banking requires a universal risk management approach and responsible attitude more than ever.

TSKB's second basic business field is corporate banking. TSKB offers the necessary products and services for the sustainable development of enterprises by interpreting corporate banking at global standards.



## 25.5%

TSKB's total assets grew by 25.5% YoY to reach TL 12.9 billion by the end of 2013

## 33.1%

TSKB's loan volume grew by 33.1% to reach TL 9.2 billion in 2013. Funds provided by the Bank to the real sector over the last 5 years through investment loans amounted to a total of TL 6.6 billion.

In this context, project finance - which is one of our areas of expertise - has gained itself a significant place in the business world over the last 10 years as a unique financing model, which differs from typical commercial loans. TSKB has played a key role building such awareness in Turkey.

Today, the service approach in corporate banking has changed and been transformed into a more sophisticated business line, which entails the management of risks with a proactive approach. By reaching a higher number of clients, TSKB is determined to raise its effectiveness and add to its market share in this area through its advisory services, which were shaped with the Bank's strong resources and deep knowledge and expertise.

Investment banking is the third fundamental business field which is involved in TSKB's founding mission. The scope and the functions of investment banking have developed and reached their present position as Turkey's development continues, and as the Turkish capital markets gain depth and further importance. The increasing depth of the Turkish financial sector is critical in turning the attention of the capital markets from conventional products to new fields and products. As of today, this trend will lead to a change in the financial sector, in which commercial banks account for the greatest share, and speed up the transformation into capital markets.

When considered from this perspective, TSKB's mission in investment banking gains more importance.

TSKB regards as its mission and a business opportunity to transfer the know-how and network - which it has built in the corporate world - to the capital markets.

### Our objectives

Although our areas of concentration - development banking, corporate banking and investment banking - have had different levels of importance in different periods, all business areas progress and develop together and are supported by each other.

TSKB aims to exhibit and deploy its knowledge and potential in all of these three business lines to an increasing extent and under a more courageous approach.

As part of sustainable banking activities, we will primarily concentrate on sustainable tourism and resource efficiency in 2014, including energy efficiency. As well as our lending activities in the area of corporate banking, we plan to provide funds to an increasing number of clients through APEX banking.

By keeping in mind that the picture presented by market variables may be somewhat murky at times, TSKB aims to expand its loan volume by about 10-15% in foreign currency adjusted terms in 2014.

### Production, efficiency and investing in the future

2014 may mark a shift in global trends, which could have far reaching impacts on emerging markets.

TSKB will continue to strive to produce added value and social benefit permanently with its clients, shareholders, employees and all other stakeholders. 2014 will be a year in which we continue to progress towards the future unwaveringly, despite the challenging conditions.

As long as we receive the support and guidance of our shareholders and the Board of Directors, we will continue to record successful operational and financial results. I would like to personally extend my thanks to all of our clients, business partners, investors and employees.

Yours sincerely,



**Özcan Türkakın**  
Board Member, CEO





# supporting the real sector

USD  
**5.7**  
billion

Providing a total of USD 5.7 billion in resources to the real sector in the last 5-years, TSKB has supported Turkey's sustainable growth.

## Macroeconomic and Sectoral Evaluation

Due to the growth cycles of the Turkish economy and the impact of changing monetary policies, it is more meaningful to conduct 2- or 3-year period analysis for the Turkish economy.

As the Turkish economy emerged from the crisis in the last quarter of 2009, domestic demand-driven growth was observed in 2010 and 2011. However, 8.8% GDP growth rate in 2011 was maintained with a current account deficit/GDP ratio that had climbed to as high as 10%. In 2012, official authorities aimed to gradually cool down the economy and ensure that the economy would grow on its own dynamics, and demonstrate a slightly lower performance than its potential trend rate of growth.

This scenario, known as the "soft-landing", was not an option that Turkey had ever succeeded in realizing in its macroeconomic history; unfortunately the relationship between growth and the foreign trade deficit in the Turkish economy has generally been re-established through severe downturns or sharp pick-ups.

This is not, however, what had been expected to occur in 2012; the current account deficit was projected to shrink in parallel with the decline in Turkey's growth rate and falling energy prices,

as well as the CBT's efforts to prevent excessive devaluation of the TL by applying a tighter monetary policy. If realized, this scenario would have served the target of successfully cooling down the economy and changing Turkey's growth composition.

However, the realizations in 2012 indicate that soft-landing turned into a more severe readjustment than had been projected. During this period, domestic demand and private sector investments provided either no contribution, or a negative one, to economic growth. Accordingly, the current account deficit - excluding energy and gold imports - contracted rapidly. Indeed, a further contraction in the current account deficit might have been expected in a period in which the rate of growth declined and domestic demand provided no contribution to economic growth and imports declined in parallel with industrial manufacturing that had shown a fluctuating trend due to low capacity utilization rates. The primary factor affecting prices and volumes was that energy imports, which had been expected to contract, actually increased in 2012.

We began 2013 with a growth target of 4%, which was expected to be predominantly driven by domestic demand.

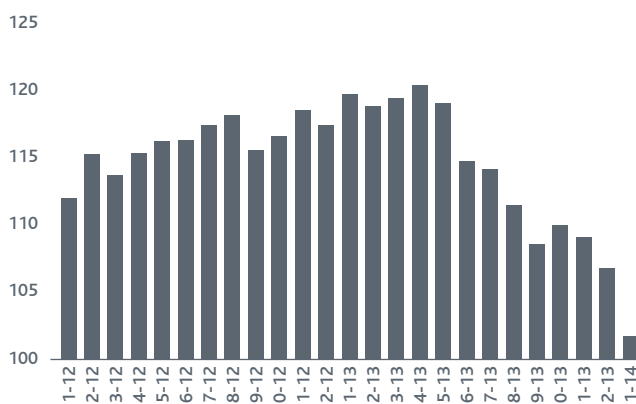
**+4%**

The Turkish economy grew by 4% in the first nine months. When Turkey's growth and other economic indicators are analyzed by quarters, a 4% annual growth target seems as an achievable target for 2013.

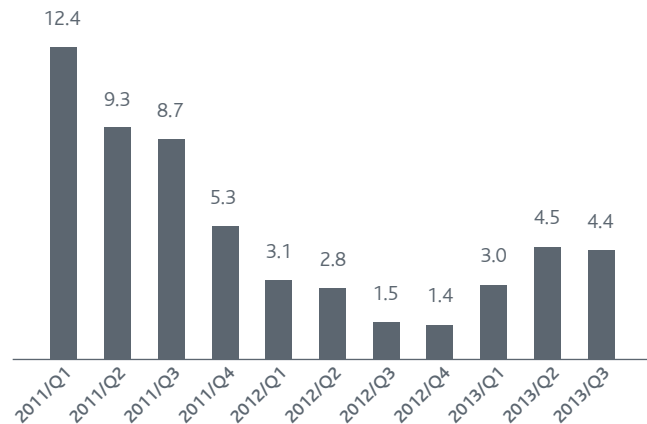
A quarterly analysis of the growth and other economic indicators indicates that the Turkish economy was well on course to meet its target of 4% annual growth for 2013, having recorded an average growth rate of 4% in the first nine months of the year.

On the other hand, it was clear that the economic growth would otherwise have precipitated a widening in the current account deficit if there was no increase observed in export demand. With its rating raised by FITCH to investment grade in the autumn of 2012, Turkey entered 2013 with strong expectations of a second rating increase.

CPI Based Real Effective Exchange Rate (2003=100)



Quarterly Growth Rates (%)



Although profit realizations have generally been observed in countries following the rating upgrades, it is a normal behavioral pattern that portfolio investments enter these countries in the medium term after a short-lived bout of selling. Another issue is that rating increases also have a positive effect on the credit facilities provided from foreign institutions, raising the risk of an overvaluation of the local currency, with potentially negative impacts on both exports and domestic consumption. In the face of these risks, the CBT applied the Reserve Options Mechanism (ROM) as an automatic stabilizer and cut its policy interest rate to 4.5% in the first half of the year.

Turkey's second rating increase, which had been priced-in by the markets in the first half of 2013, paved the way for such developments which had been previously anticipated.

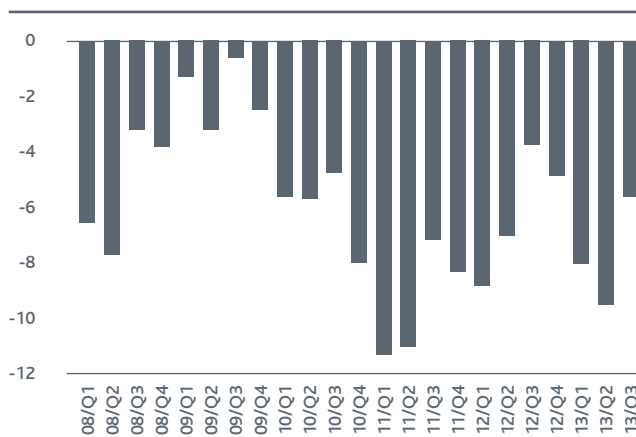
With the Fed Chairman Ben Bernanke's statement on May 22nd, 2013, the outlook of the Turkish economy for the second half of the year became the exact opposite of its performance in the first half, just like all other emerging markets.

We are currently undergoing a period in which the global economy has not yet fully emerged from the crisis that broke out in 2007, and the sustainability of growth has been called into question in developed countries - even if the recession has come to an end in technical terms.

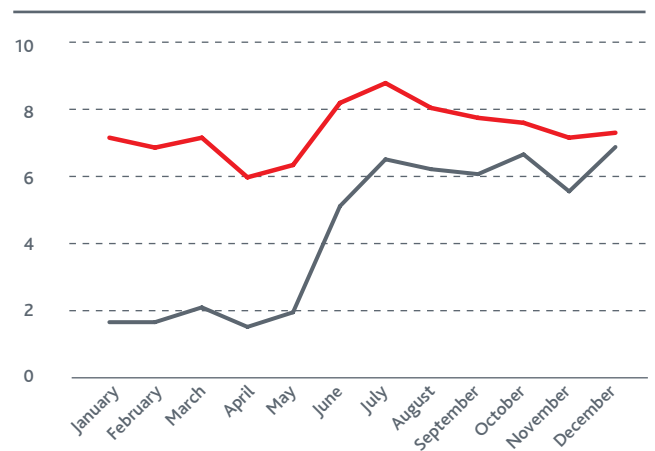
## May 22nd, 2013

The Fed Chairman's statement on May 22nd, 2013 set a new course for the global economy in 2014 and beyond.

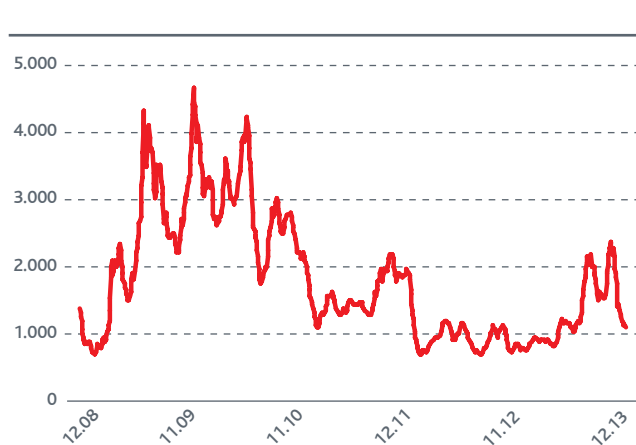
Current Account Balance / GDP (%)



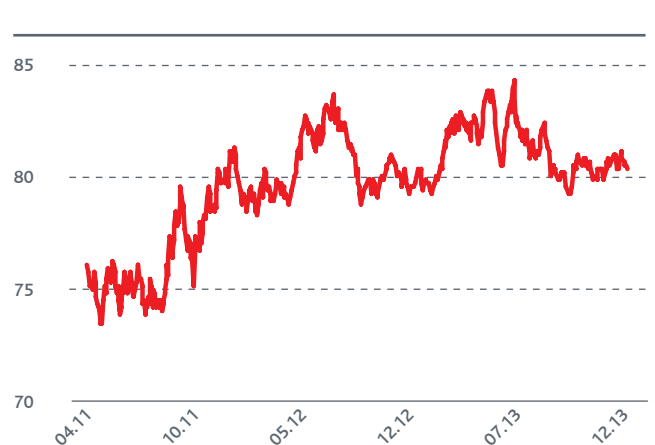
Inflation (%)



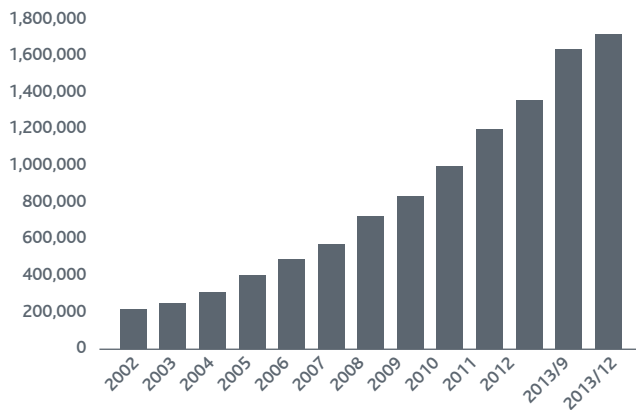
Baltic Dry Index



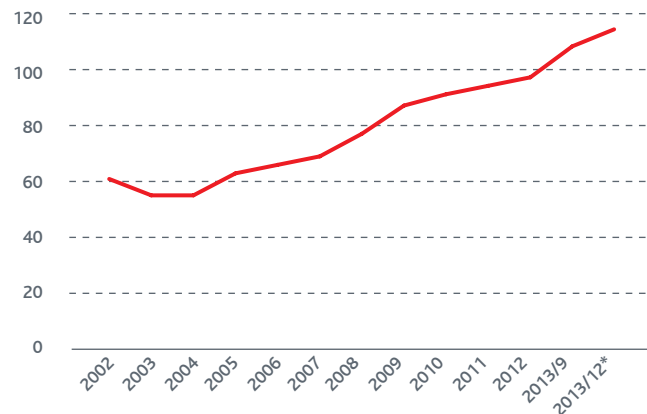
U.S. Dollar Index (USDIX)



**Total Assets of the Banking Sector**  
(TL million)



**Total Assets of the Banking Sector / GDP**  
(%)



(\*) The data pertaining to the period 2013/12 was calculated based on the GDP figure for the end of September 2013.

International agencies are behaving with caution in drawing up their growth projections for the future. While signs of recovery have been observed in Europe, it is thought that European countries exit from the crisis will be a slow one.

In the US economy, on the other hand, there have been relatively strong signs of recovery. China is seeking to ensure its economic growth is sustainable with 7-8% growth, by focusing on domestic demand. On the other hand, it is now less likely that Europe will show the common will needed to resolve the continent's problems.

Under these circumstances, we predict that the Fed will terminate its asset purchase program in 2014 while also signaling that it will not raise the overnight interest rate for some time. This binary approach would appear to be viable and appropriate in ensuring that the transition to its new monetary policy does not give rise to any great turbulence in the markets. Meanwhile, more fragile economies will need to be vigilant against the threat of huge funds exiting emerging markets.

The Turkish economy is expected to progress with a moderate growth rate in the years to come. We project that the Turkish economy will grow by around 2-2.5%, with the current account deficit/GDP ratio declining to around 6% and inflation coming in at 8-8.5% in 2014.

We would caution that inflation could be higher than this depending on FX-related shocks or fluctuations in food prices due to the climate.

#### **A year of growth for the banking sector**

2013 was a year in which the loan growth picked up for a sustained period of time, going beyond normal seasonality conditions and started to slowdown in the last quarter.

A variety of measures were introduced to curb the growth in consumer loans and credit card loans in a bid to reduce the current account deficit - one of the leading sources of fragility in the Turkish economy - based on the government's target of export-driven - rather than domestic-demand driven - growth in 2014.

As domestic demand accelerated in advance of these measures taking effect, we witnessed a strong expansion in loan volume in December 2013. The impacts of the measures are expected to be observed in 2014.

Moreover, as a result of the CBT's policy of monetary tightening, along with its decision to raise effective funding costs on one hand and the expectation that the Fed-driven liquidity tightening would continue on the other, a 15-20% rate of growth is expected in the sector's loan volume in 2014.

The signal that monetary tightening would continue with the focus on raising FX reserves, even in the event that capital flows turned positive, stands as a forewarning of a contraction of margins in the bond market. The Turkish financial sector, which has high asset quality and a strong capital structure, could see a limited increase in profit in 2014.

In the coming 10-year period, although interest rates are on course to increase throughout the world, they will be relatively lower than they were in the pre-crisis period. For the US 10-year T-Bonds, Fed estimates a 3% rate for 2014, 4% for 2015 and 4-5% for 2016. These interest rate conditions and the process of overcoming the crisis will continue to affect the Turkish economy and banking industry, as in the rest of the world.



# renewable energy

**3,500** MW

of installed  
capacity

The projected total installed capacity of nearly 100 renewable energy projects financed by TSKB amounts to around 3,500 MW, accounting for 14% of Turkey's total installed capacity in renewable energy. TSKB has committed a total of about USD 1.9 billion for these projects.



## An Evaluation of 2013

### Strategies, Acquirements and Projections

#### 25.5% growth in total assets

TSKB's total assets increased by 25.5% YoY to reach TL 12.9 billion at the end of 2013. The Bank's capital adequacy ratio was realized as 18.2% in the same period (2012: 20.4%).

TSKB raised its shareholders' equity by 7.4% and recorded a 6.1% YoY rise in its net profit to TL 326.1 million in 2013. The Bank's return on equity declined from 19.7% in 2012 to 17.9% by the end of 2013 while realizing a return on assets ratio of 2.8% in the same period (2012: 3.1%).

TSKB continued to maintain its operating costs under control at the lowest levels in 2013. The average amount spent by TSKB to generate each TL100 was TL 28.7 - less than the sector average.

As a result of its strong and sound financial performance, the Bank's net interest revenues increased by 13% YoY to TL 486.3 million in 2013. The Bank's total operating income rose by 6.7% to TL 522.3 million. Cost to income ratio which was 14.8% in 2012 fell to 14% by the end of 2013.

**TSKB's total loan volume expanded by 33.1% to reach TL 9.2 billion in 2013, while the bank's loans to assets ratio was realized as 71% in the same period.**

TSKB extended USD 1.4 billion in loans to its clients in 2013. In terms of the Bank's lending activities throughout the year, the total volume of direct loans reached USD1.3 billion with APEX loans totaling USD100 million.

Including the loans provided by the Bank throughout 2013, TSKB's total credit portfolio reached USD 4.3 billion with an annual FX-adjusted growth of 11%.

The total amount of TL loans extended by TSKB to its clients in 2013 totaled TL 240 million. In 2013, the total limit of cash and non-cash (excluding APEX) loans allocated by the Bank to its clients was raised to USD 2.5 billion, while the total volume of new credit agreements that the Bank signed with its clients totaled USD 1.7 billion.

#### Loan contracts signed with clients in 2013

- Direct loans and project financing agreements: USD 1,383 million
- Syndicated loans: USD 202 million
- APEX transactions: USD 138 million

With its high asset quality, TSKB's non-performing loans ratio of 0.4% is well below the sector average, and indeed the best ratio in the banking industry.

As the leader of the development and investment banking business line, TSKB holds a 20% market share in this segment.

**In 2013, TSKB continued to apply a policy that maintains the sectoral diversity of the Bank's loan portfolio.**

In line with its policy of sectoral diversity, the Bank continued to deepen its relations with its existing clients and pressed ahead in its efforts aimed at acquiring new clients.

TSKB financed new projects in a range of different areas in 2013, such as energy efficiency, resource efficiency, renewable energy, logistics, sustainable tourism, food and infrastructure.

The total number of clients actively working with TSKB climbed by 12% in 2013. Furthermore, TSKB signed 40% of all loan agreements in 2013 with new clients.

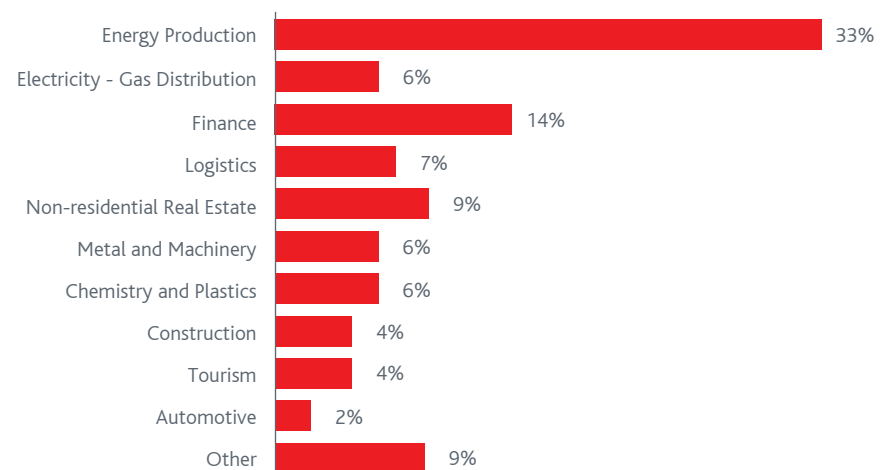
In 2014, the Bank will continue to finance thematic projects in a number of different areas such as energy efficiency, resource efficiency, renewable energy, sustainable tourism and environmental projects. Moreover, public-private partnerships (PPP) projects, as well as food safety, logistics and infrastructure projects will be on the Bank's agenda next year.

**The Bank's lending portfolio is comprised of loans with maturities of 5 years or longer.**

In line with its mission, TSKB provides mid- or long-term loans to its clients.

A breakdown of TSKB's lending portfolio finds that only 10% of the total loan volume is comprised of placements with maturities of less than 1 year, while 49% of the total loan volume comprises of loans with maturities of 5 years or longer (40% of these have a maturity of more than 9 years). The average loan maturity of TSKB is 5.5 years, and the Bank's average loan size is USD 17 million.

#### Sectoral Breakdown of Loan Portfolio



## An Evaluation of 2013

### Lending activities within the scope of project financing

Project finance is another area of strength for TSKB, comprising a significant part of the Bank's lending activities. In 2013, the Bank continued to finance projects by realizing a total of USD 649 million cash placements. With a particular focus on investment financing, the Bank, within the scope of project finance, was involved in different projects in areas such as energy efficiency, sustainable tourism and electricity distribution. In this context, the Bank extended a total of USD 181 million in non-cash loans to various sectors in 2013, particularly the electricity distribution sector.

As well as the developments in market conditions, TSKB's determination to expand its client base and to build its portfolio will be the determining factors for the Bank's activities in project finance during 2014.

**A total of USD 5.7 billion in loans was extended to the real sector over the last five years.**

Pursuant to its mission, TSKB meets long term funding needs of its private sector clients and thus contributes to the sustainable growth of the Turkish economy through its lending efforts. TSKB extended a total of USD 5.1 billion in loans to the real sector for renewable energy, energy efficiency, infrastructure and logistics projects over the last five years.

Taking the loan amount of USD 0.6 billion, which is channeled indirectly to SMEs via APEX lending, into consideration, the total amount of financing provided by the Bank to the real sector reaches USD 5.7 billion.

### 20% growth in non-cash loans

TSKB also mediates in import and other foreign trade transactions required by its clients for their investment projects. While the total amount of letters of guarantee provided by TSKB increased by 400%, the total size of non-cash loans supplied by TSKB reached USD 496 million. In 2013, the Bank allocated the bulk of non-cash loans to clients operating in the electricity distribution, electricity production and iron-steel industries.

### Strong international relations

The Bank's strong network of international relations is one of the most important privileges TSKB is able to offer to its clients. As one of the most widely recognized Turkish banks in the global financial markets, TSKB works in close cooperation with international institutions, such as World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), Kreditanstalt für Wiederaufbau (KfW), Islamic Development Bank (IDB), French Development Agency (AFD), International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD).

The correspondence relations that the Bank has built with international banks represent another area of strength in TSKB's strong international network.

The Bank has focused on improving its relations with international banks and to generate an increasing volume of free funds in recent years. TSKB secured nearly USD 660 million of mid- and long-term funds from supranational institutions during 2013. Highlights of funds secured in 2013 can be listed as follows:

#### European Investment Bank (EIB) – Euro 100 million

A loan agreement worth Euro 100 million was signed between TSKB and the European Investment Bank in order to finance projects that will serve the sustainability of the Turkish tourism sector. In this context, TSKB provides funds to energy efficiency and resource efficiency projects in the tourism sector, in addition to hotels' expansion and restoration investments (Refer to the section "Critical Importance of Sustainable Tourism", p. 25).

#### European Investment Bank (EIB) – Euro 150 million

A second loan agreement worth Euro 150 million was signed between TSKB and European Investment Bank to cover the financing needs of "SMEs and Medium Sized Companies" throughout Turkey.

## USD 649 million

TSKB's cash placements in the project finance business line amounted to USD 649 million during 2013.

#### Council of Europe Development Bank (CEB) – Euro 100 million

The Bank secured Euro 100 million worth fund from the Council of Europe Development Bank to support the economic growth of SMEs. This fund, which will be used within the scope of APEX banking, will finance the investments of enterprises throughout Turkey which were aimed at creating new job opportunities or maintaining their current levels employment.

#### KfW – Euro 100 million

In 2013 TSKB received Euro 100 million by KfW, which has been in cooperation with the Bank for 40 years. This fund, which was provided without the guarantee of the Republic of Turkey Prime Ministry Undersecretariat of the Treasury, will be facilitated to finance projects aimed at resource and energy efficiency. The project aims to support the private sector's efforts in areas such as raw material efficiency and waste management efficiency. This financial support provided from KfW, without the guarantee of the Republic of Turkey Prime Ministry Undersecretariat of the Treasury, confirms KfW's confidence in Turkey's growing economy and the high standards of TSKB's banking approach.

#### IFC – USD 75 million

This USD 75 million loan provided from the IFC, an organization under the World Bank Group, without the guarantee of the Republic of Turkey Prime Ministry Undersecretariat of the Treasury, will be used to finance projects which raise energy efficiency and reduce environmental pollution. Once the projects covered by the loan package are completed, Turkey's annual CO<sub>2</sub> emissions are expected to be reduced by 103,000 tons.





# energy efficiency

a total of  
**1.9** million Mcal  
in energy savings

TSKB supplied funds to 57 different energy efficiency projects of 30 companies over the last four years. These projects financed by the Bank will reduce greenhouse gas emissions by 1.1 million tons of CO<sub>2</sub> per year and save a total of 1,945,000 Mcal of energy.

## An Evaluation of 2013

### Long term funds secured by TSKB between 2008-2013

#### 2008

**World Bank – Export Finance Intermediary Loan (EFIL IV)**

Amount: USD 197 million

Duration (year): 28

Maturity: 2036

**World Bank – Export Finance Intermediary Loan (EFIL IV)**

Amount: EUR 65 million

Duration (year): 28

Maturity: 2036

**EIB – Energy and Environment Framework Loan**

Amount: EUR 150 million

Duration (year): 15

Maturity: 2022

**KfW – Loan for the Climate Protection Programme in Turkey**

Amount: USD 41 million

Duration (year): 12

Maturity: 2020

**KfW – Environment & Energy - Loan for the Climate Protection Programme in Turkey**

Amount: USD 34 million

Duration (year): 12

Maturity: 2020

#### 2009

**World Bank – Renewable Energy and Energy Efficiency Loan**

Amount: USD 210 million and EUR 110 million

Duration (year): 30

Maturity: 2039

**World Bank – Clean Technology Fund**

Amount: USD 70 million

Duration (year): 20

Maturity: 2029

**EIB – SME Development Loan**

Amount: EUR 165 million

Duration (year): 12 years per tranche

**EIB – Energy and Environment Framework Loan II**

Amount: EUR 150 million

Duration (year): 15 years per tranche

**French Development Agency (AFD) - Renewable Energy and Energy Efficiency Loan**

Amount: EUR 50 million

Duration (year): 12

Maturity: 2021

**Council of Europe Development Bank – SME Loan**

Amount: EUR 100 million

Duration (year): 10 years per tranche

#### 2010

**KfW – Climate Protection Programme in Turkey, Phase 3**

Amount: EUR 55 million

Duration (year): 12

Maturity: 2022

**KfW – Municipality Infrastructural Finance Loan**

Amount: EUR 37 million

Duration (year): 20 years

Maturity: 2030

## 2011

### World Bank EFIL IV – Additional Loan for the Fourth Export Finance Intermediation Project

Amount: USD 180 million and EUR 87.8 million

Duration (year): 28

Maturity: 2039

### EIB–Loan for SMEs

Amount: EUR 75 million

Duration (year): 12 years per tranche

### World Bank - Additional Loan for Private Sector Renewable Energy and Energy Efficiency Project

Amount: USD 100 million and EUR 69.3 million

Duration (year): 28

Maturity: 2039

### EBRD - Turkey Agribusiness SME Financing Facility (TurAFF)

Amount: EUR 50 million

Duration (year): 5 years per tranche

## 2012

### IFC - Renewable Energy and Energy Efficiency Loan

Amount: USD 75 million

Duration (year): 2+5

Maturity: 2018

### EIB – TSKB Loan / B for Medium Sized Enterprises and SMEs

Amount: EUR 75 million

Duration (year): 3+9

Maturity: 2024

### EBRD - Turkey Agribusiness SME Financing Facility Financing Facility (TurAFF) (CO-FINANCING)

Amount: EUR 50 million

Duration (year): 5 years per tranche

### Islamic Development Bank – Restricted Mudaraba

Amount: USD 100 million

Duration (year): 3.5+6.5

Maturity: 2023

### KfW - Renewable Energy and Energy Efficiency Loan

Amount: USD 125 million

Duration (year): 3+9

Maturity: 2024

## 2013

### EIB- Sustainable Tourism and Energy Efficiency Loan

Amount: EUR 100 million

Duration (year): 10 years per tranche

### IFC - Environment and Resource Efficiency Loan

Amount: USD 75 million

Duration (year): 7

Maturity: 2019

### CEB - APEX Loan

Amount: EUR 100 million

Duration (year): 7 years per tranche

### KfW - Resource Efficiency Loan in Industry

Amount: EUR 100 million

Duration (year): 10

Maturity: 2023

### EIB - TSKB Loan II for SMEs Mid-Caps & Other Priorities

Amount: EUR 150 million

Duration (year): 8 years per tranche

## An Evaluation of 2013

### Continuous success in syndicated loans

Within the framework of its efforts to create alternative funds, TSKB rolled over its syndicated loan on July 3, 2013. The total amount of the loan was increased by 36% to USD 133 million with the participation of new institutions.

A total of 11 banks from 8 countries participated in the syndicated loan: Bayerische Landesbank, Citibank N.A. Nassau Branch, Commerzbank AG, ING European Financial Services Plc., Raiffeisen Bank International AG, Standard Chartered Bank, The Bank of Nova Scotia, Banque Internationale de Commerce - BRED, Intesa Sanpaolo S.p.A., Barclays Bank PLC and WGZ BANK AG Westdeutsche Genossenschafts - Zentralbank.

### TSKB and the renewable energy sector

Effective and proper use of renewable energy resources is vital in Turkey's transition to low-carbon economy.

As a leading corporation in the area of renewable energy financing, TSKB has been effectively supporting renewable energy projects in Turkey since 2002 by providing long-term resources. The total projected installed capacity of the energy projects financed by TSKB is approximately 3,500 MW, accounting for 14% of Turkey's total installed renewable energy capacity.

78 of the energy projects financed by TSKB were completed by the end of 2013. The installed capacity of the projects currently in operation totaled 2,292 MW. The total amount of investment

### TSKB's Renewable Energy Financing Portfolio at the end of 2013

79 Hydroelectric Power Plants	2,949.5 MW
11 Wind Farms	380.0 MW
2 Geothermal Power Plants	58.0 MW
6 Biomass Power Plants	95.0 MW
1 Solar Power Plant	0.5 MW
Total: 99 Power Plants	Total Installed Capacity: 3,483.0 MW

undertaken with the energy projects financed by TSKB between 2003 and 2013 reached USD 6.3 billion, whereas TSKB's commitments for these projects amounted to approximately USD 1.9 billion.

### Energy efficiency - another area where TSKB focuses on under sustainable banking

TSKB supplied a total of USD 354.1 million funds to 57 energy efficiency projects of 30 clients in the last four years.

The total amount of energy saved through the energy efficiency projects financed by TSKB since 2009 is sufficient to meet the annual domestic heating needs of a city of nearly 800,000 people. Considering that 58 of Turkey's cities have a population of less than 800,000, the scale of potential energy savings that can be achieved through energy efficiency in the industry is clear. The iron-steel industry led among the sectors funded within the scope of energy efficiency, with 11 companies financed by TSKB. The iron-steel industry was followed by the cement sector, the automotive sector, plastics and other industries.

These projects financed by the Bank will reduce greenhouse gas emissions by 1.1 million tons of CO<sub>2</sub> per year and save a total of 1,945,000 Mcal (1,000 Kcal) of energy.

### The increasing importance of resource efficiency

TSKB is determined to support projects aimed at improving every aspect of resource efficiency, including energy efficiency in the Turkish private sector. To this end, the Bank plans to be one of the most effective players in the area of resource efficiency with the thematic funds that it provides from supranational institutions. The Bank aims to include an increasing number of projects in different areas in its portfolio, such as raw material efficiency, waste management efficiency and efficiency in production processes as well as energy efficiency.

To sum up, TSKB will further concentrate its efforts on new loan perspectives in 2014, aiming to ensure effective and efficient use of all inputs.

**Through the energy efficiency projects financed by TSKB since 2009:**

### Amount of Energy Saved Annually

Energy savings sufficient to meet the annual domestic heating needs of a city of nearly **800,000** people

Reduction of CO<sub>2</sub> emissions by an amount equivalent to the carbon footprint of **200,000** people

### The critical importance of sustainable tourism

TSKB has been financing tourism investments for many years. The Bank has evaluated more than 50 projects in the last 5 years and supported and financed 24 hotel investments. In this context, the total volume of long-term investment loans provided by the Bank to tourism projects amounts to nearly Euro 250 million.

As the role model of sustainable banking in Turkey, TSKB has concentrated on the sustainable tourism concept aiming to cover the Turkish tourism sector's investment needs, an important issue in terms of the sector's mid- and long-term future.

Sustainable tourism is defined as "supporting the creation of income and employment for local people while keeping the impact on the environment and local culture to a minimum". The World Tourism Organization, on the other hand, defines sustainable tourism as "meeting the needs of local people and tourists today, while protecting future generations' right to benefit from the same opportunities".

### The future of tourism in the Mediterranean

During the "Towards Sustainable in the Mediterranean" conference held by the European Investment Bank in Marseille in 2012, it was forecasted that the number of visitors to the Mediterranean region would rise from its current level of about 300 million per year to 637 million per year by 2025. During the conference, participants stressed that sustainable investment would need to be undertaken from now on in the region, which they claimed to be worn-out, adding that the existing tourism facilities in the region were in need of restoration.

### Cooperation with the European Investment Bank with respect to sustainable tourism

In 2013, TSKB secured a long-term fund from the European Investment Bank under the theme of "Sustainable Tourism and Energy Efficiency". Amounting to Euro 100 million, this fund will be extended to support companies' sustainable tourism projects, particularly which are concerned with:

- restoration and optimization of existing tourism facilities
- increasing energy efficiency in tourism facilities,
- enabling more efficient use of natural resources,
- reducing the negative impacts on the environment, etc.

TSKB supplied Euro 14 million under the theme of "Sustainable Tourism and Energy Efficiency", in the last quarter of 2013 and aims to speed up its efforts in this area in 2014.

The Bank soon plans to provide a new fund under the theme of sustainable tourism. With this fund, the Bank aims to finance various projects, such as investments in energy efficiency, solid waste management, water consumption systems and biological diversity projects.

In addition to the funds classified under the sustainable tourism category, TSKB supports sustainable tourism also by financing energy efficiency projects of tourism investments with the funds secured under the theme of energy efficiency.

In the periods to come, TSKB targets to increase its contributions to sustainable tourism through a combination of existing and new funds. In line with this target, the Bank plans to finance both new investments and restoration investments.

### APEX banking: A channel used intensively by TSKB to reach SMEs

TSKB remains the leader and model implementer of APEX banking. Within the scope of APEX banking, the Bank supplies World Bank EFIL loans and other international APEX funds to its clients.

Within the scope of APEX banking, TSKB collaborates with 23 financial companies, which are composed of financial leasing companies and commercial banks. The Bank reaches SMEs and offers funds to them within the framework of cooperation that it has established with these financial companies.

At the end of 2013, the total volume of loans supplied by the Bank through APEX banking had reached USD 400 million, accounting for 9% of TSKB's total loan portfolio. Within the framework of APEX banking, TSKB offers its clients APEX funds which it secures from international agencies, particularly World Bank EFIL loans.

TSKB is a preferred business partner of the World Bank in Turkey within the scope of EFIL loan programs. The Bank has been actively involved in EFIL programs, one of which still continues with three completed at the end of 2013. The Bank provided a total of USD 1,140 million to 609 companies within the scope of EFIL loans.

Financed by TSKB within the scope of EFIL loans, companies had realized approximately USD 13.5 billion in total exports after having obtained these loans. The purpose of EFIL loans is to support companies in their efforts to increase exports and create new job opportunities.

Within the scope of other APEX loans, TSKB offers to SMEs, through means of financial leasing companies and commercial banks, such loans that contribute to increasing employment. In this context, the Bank supplied a total of USD 328 million in loans to 623 SMEs, contributing to the creation of nearly 4,825 jobs.

**USD 400 million**

The total amount of loans supplied by TSKB through APEX banking reached USD 400 million.

## An Evaluation of 2013

### TSKB - APEX Loans Primary Indicators

Program title	Year	Agreement Amount	Number of companies that received loan (as of 2013 year-end)	Current status of program
<b>Export Support</b>				
EFIL IV Additional Finance	2011	USD 300 million	97	Ongoing
EFIL IV	2008	USD 300 million	133	Completed
EFIL III	2005	USD 305 million	168	Completed
EFIL II	2004	USD 303,1 million	211	Completed
<b>SME</b>				
CEB IV APEX	2013	EUR 100 million	4	Ongoing
CEB III APEX	2010	EUR 100 million	223	Completed
KfW APEX	2004	EUR 7,7 million	54	Completed
EIB APEX	2005	EUR 150 million	343	Completed

#### Efforts in the area of investment banking

Backed by its well experienced staff, TSKB continued to offer comprehensive advisory services to a number of domestic and international companies in the investment banking area during 2013. TSKB operates in four basic areas under investment banking:

- Public Offerings,
- Bond Issuances,
- Mergers & Acquisitions,
- Strategic Advisory.

By taking place as the lead advisor in the public offerings of Turkey's major and largest companies since the establishment of Borsa Istanbul A.Ş., TSKB has made an invaluable contribution to the development of the Turkish capital markets. The Bank also operates in bond issuances in the capital markets thanks to its extensive experience in working with domestic and international investors. Moreover, the Bank provides advisory services within the scope of its widespread

network by bringing together domestic and international companies with the right strategic and/or financial investors.

Another important service offered by TSKB in the area of investment banking is to provide advisory to international investors who plan to invest in Turkey, along with advisory services to sellers or buyers in privatizations, real estate as well as asset sales, and to perform all required appraisal, feasibility and research operations.

The Bank's Corporate Finance Department has carried out a number of reputable projects in recent years. In 2013, the Department successfully conducted the bond issuances of İş Leasing, Koç Fiat and LBT Varlık within the framework of private sector bond issuances. Moreover, the Department provided major companies with its advisory services either on the sell or buy side in a number of important projects, such as the sale of the Osmangazi Electricity Distribution Company. The Department also diversified its product portfolio by advising on the sale of a real estate property of Anadolu Isuzu under the Anadolu Group.

TSKB aims to further concentrate on mergers&acquisitions in the form of finding financial as well as strategic partners for companies and strategic advisory in the form of financial restructuring and feasibility studies in 2014. While public offerings and bond issuances will be shaped based on the development of the conjuncture, the Bank may take positions in these areas depending on the trends in capital markets.

#### TSKB is an active player in the money and capital markets.

TSKB continued to play an active role in the FX markets, money markets and capital markets in 2013, as in previous years. The Bank successfully achieved its income targets in structured derivatives that are linked to spot/forward FX trading, TL or FX placements and borrowing transactions which it undertakes with domestic and foreign financial institutions in organized or over-the-counter markets.

With its proactive management approach principle in the area of FX and money markets, TSKB managed its FX and TL cash flows, liquidity position and securities portfolio effectively and efficiently under the volatile market conditions of 2013. In addition, the Bank established a solution-oriented business partnership with its clients for treasury products and continued to produce favorable solutions to its clients, with its advanced and diversified derivative product range. This area will continue to be a primary field of activity for the Bank in 2014, as well.

For the markets, 2014 is expected to mark the beginning of a transition period in which expansionary monetary policies that have been applied in recent years will be gradually abandoned. It is highly possible to encounter extremely volatile market conditions during the Eurozone turning upwards from bottom through a moderate economic growth trend and during the process of normalization of the US monetary policy. Having reconfigured its portfolio structure predominantly with variable interest rates in 2013, TSKB will carefully keep view of changing market conditions and apply policies which will focus on the profitability of the portfolio and right liquidity planning.

#### **Cooperation with Yatırım Finansman for brokerage services in capital markets**

In line with its decision to further concentrate on corporate banking, TSKB restructured its capital markets brokerage services in 2013. These services will be now offered to the Bank's individual clients by the Bank's subsidiary, Yatırım Finansman.

As a result of this strategic development, TSKB currently has no individual clients in its portfolio. A majority of its active individual clients have transferred their portfolios to Yatırım Finansman.

Within the scope of this cooperation, Yatırım Finansman opened a branch at TSKB's head office in Fındıklı, Istanbul, in order to offer efficient services and to create the necessary synergy.

#### **A founding member of the European Association of Long-Term Investors (ELTI)**

In 2013, TSKB was the only Turkish bank among the founders of the European Long Term Investors Association (ELTI), an initiative launched by the 16 most prestigious financial institutions of Europe. The ELTI aims to provide support to ensure that the Eurozone grows in a more sustainable, extensive and planned manner.

The European Association of Long-Term Investors, which gained its legal entity after being approved as a European Union institution, aims to become one of the major platforms for supporting investments that require long-term financing.

#### **TSKB receives 2 awards in the CDP Turkey 2013 Climate Change Leadership program**

Within the framework of the CDP Turkey 2013 Climate Change Leadership program, TSKB achieved one of the highest scores in the "Transparency" and "Performance" categories, receiving awards in both areas. TSKB was ranked as one of the top 4 companies in the "Transparency" category and one of the top 7 companies in the "Performance" category, with its score increased to "B".

#### **Developments in risk management regulations**

In 2013, TSKB continued to completely fulfill the requirements of the risk management regulations and placed great priority on maintaining full compliance with such requirements.

The Basel II regulations, preliminary work on which had been completed long time ago, legally became effective for Turkish banks in July 2012 following a one-year period of parallel run. The Bank continued its reporting activities in line with Base II standards in 2013. Some of the regulations within the scope of Second Pillar of Basel II were issued by the BRSA. To this end, the Bank performed stress tests and reported their results. Having set up the Internal Capital Adequacy Assessment Process ICAAP, the Bank prepared the related reports within this scope.

Some of the regulations required by Basel III, particularly those concerning the reporting of leverage ratios, the calculation of Tier 1 and Common Equity Tier 1 capital adequacy ratios, capital conservation buffer and the countercyclical capital buffer were issued by the BRSA in 2013 and entered into effect at the beginning of 2014. TSKB completed the bulk of the preliminary work for these necessary reporting activities. An important issue concerning the calculation of capital conservation buffer and the countercyclical capital buffer is that these will determine each bank's maximum profit distribution ratio. Thanks to its robust capital base, no negative impact on TSKB is expected from Basel III.

The BRSA has not yet released the final regulation with respect to the calculation and reporting of the Net Stable Funding Ratio, which is included under the scope of Basel III. TSKB completed its preparations for the calculation and reporting of the Liquidity Coverage Ratio -the draft regulation of which has already been published - but did not start reporting the Liquidity Coverage Ratio, as the final legal regulation has not yet been published.

## **ELTI**

In 2013, TSKB was the only Turkish bank among the founders of the European Long Term Investors Association (ELTI), an initiative launched by the 16 most prestigious financial institutions of Europe.



## An Evaluation of 2013

A draft regulation was released by the BRSA with respect to the Internal Ratings Based Approach for credit risk measurement as part of capital adequacy calculations. TSKB carried out various efforts to ensure compliance with this standard. To this end, the Bank began its preparations for reporting internal ratings on a client basis and the internal rating system related default probabilities as required by the BRSA in order to use them for the validation of internal rating models.

### Full compliance with the law and rules, transparency and accountability

Following the global crisis in 2008, the definition of transparency and accountability has gone beyond simply disclosing transaction records available for audit, but has also rendered it necessary to explain the rationale behind each action taken to stakeholders. This issue has been on the agenda of authorities of the whole world, particularly USA and Eurozone.

Turkey's most important advantage is the comprehensive precautionary steps that it had taken in the wake of the financial crisis that struck in 2001, and the modern regulatory framework that was put into effect regarding the financial markets and the banking sector in particular.

Attaching great importance to transparency, accountability and compliance with the law, TSKB successfully completed all of the required infrastructure and superstructure activities on schedule in order to comply with the new legislation that recently entered into effect.

Within its organization, TSKB effectively operates the internal audit, internal control and risk management functions, which are an inseparable part of compliance with the law. The independent audit function, on the other hand, is conducted in accordance with BRSA's regulations and internationally accepted rules.

TSKB's Investor Relations Department continued its activities in 2013, which are of paramount importance for the Bank in fulfilling its public disclosure responsibilities.

### Investor relations activities

With its shares traded on the BIST, TSKB meets all disclosure requirements determined by Turkish authorities. The Bank fulfills this commitment by:

- publishing all types of information, which the Bank is liable to disclose, in all kinds of printed and electronic platforms in a timely manner,
- responding to investor questions and requests for information in a fastest manner, and
- meeting with investors face-to-face during road-shows.

TSKB's Investor Relations Department continued to promote the Bank in 2013. The Bank officials participated in 10 road-shows abroad and held meetings with 151 different investors throughout the year.

According to data for the end of 2013, 53% of TSKB's publicly-held shares are held by foreign investors.

### A better performance than the BIST-100 index and the banking index

TSKB closed 2013 with a market capitalization of TL 2.4 billion. In 2013, the Bank's shares outperformed the BIST-100 index by 11.4% and the BIST banking index by 28.7%. The achievement of such a strong performance was resulted from the Bank's current business model and the fact that the Bank will not be affected negatively by the recently introduced regulatory amendments.

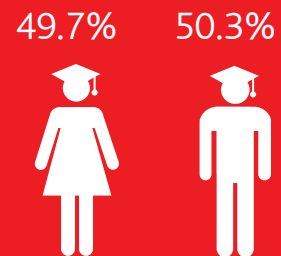
### Sustainability of human resources is a basic focus for TSKB

Recruiting the right talented individuals in its organization and gaining their loyalty is as an extremely important target for TSKB in building a sustainable banking performance.

In 2013, TSKB carried out the necessary work on its performance management system, which represents an important HR practice in terms of raising and preparing the talented individuals for the future. In this context, the Bank performed a number of revisions aimed at improving its performance management and conducted the necessary work to improve its infrastructure.

Recruitment of the right talented individuals in its organization represents an extremely important target for TSKB in its sustainable banking performance.

There were 316 employees on TSKB's payroll at the end of 2013.



In 2013, the Bank prepared a Training Catalogue about the Performance Management System for its employees. The TSKB Training Catalogue was designed under various topics in such a structure so as to develop employees' basic and managerial capabilities. Small training groups were formed from the Bank employees, and courses were opened in a total of 31 competency-based topics.

With this program, the Bank aimed to ensure that each employee received an average of two competency training sessions. In its first year after the program was launched, each TSKB employee received about 15.5 hours of competency training. The Bank will continue to revise, update and apply the Training Catalogue in line with arising needs in order to raise competencies. The sustainability of the competency training is important in terms of correctly determining potential talent and in planning how we will raise the managers of the future.

A total of 59 hours of training was provided per employee at TSKB in 2013. Competency development, professional training in Turkey and abroad as well as activities such as conferences and information meetings are included in this scope. Moreover, 2013 was a year in which TSKB intensively undertook various mandatory activities like Occupational Health and Safety training, one of the practices which companies are responsible for.



# export finance

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Financed through TSKB's APEX banking channel, companies increase their exports and offer employment opportunities by creating new fields of operation.

## An Evaluation of 2013

In 2013, TSKB recruited 4 people within the scope of the Management Trainee Program. At the same time, TSKB places utmost importance on cooperation between the Bank and universities, and carried out a number of sustainability workshops, notably the TSKB Career Workshop, as well as case studies and presentations at the universities.

### TSKB aims to expand its business volume and increase its number of clients in 2014.

Aiming to expand its business volume and increase its number of clients, TSKB will place its marketing organization and sales targets as important pillars of its operations in 2014. During this period, the Bank will redefine its customer-oriented service approach. In line with this target, TSKB will create new jobs in the required positions and enrich its talent pool with the participation of new individuals.

### Restructuring of the Enterprise Architecture and Process Management Department

Reconfigured at the end of 2013, the Corporate Architectural and Process Management Department will execute improvement projects with respect to efficiency and customer satisfaction in 2014 within the framework of TSKB's corporate architectural principles.

The Bank aims to realize quantifiable increases in its planned activities and basic banking and IT processes. Moreover, a joint operation is planned to be conducted by the Bank's business units and IT department throughout the year in order to revise TSKB's business continuity and emergency solutions.

### Intensive efforts in information technology

The IT Department completed its planned activities and projects in line with its targets during 2013 and successfully fulfilled all infrastructure and product development requirements arising throughout the year. In accordance with its basic mission, the IT Department provided secure, uninterrupted and high-tech support for banking transactions and designed and developed new solutions, creating opportunities for the Bank to expand its business volume and enable product diversity.

By responding to more than 1,000 software requests throughout the year, the Department further improved the basic banking practices. With recently added new types of business flows, more than 50,000 processes were concluded in the electronic environment.

Taking the solutions designed and developed by the Department into consideration, 2013 was a year marked by legal measures, infrastructural transformation/modification projects and projects aimed at increasing efficiency.

In addition to these efforts, significant improvements were carried out in the Bank's IT infrastructure to increase security and performance. Moreover, configuration of the Emergency Center was revised, improved and updated to ensure the continuity of the Bank's business and IT in the event of a disaster.

In 2014, TSKB will carry out major projects to move its banking practices to the latest technological platforms. The Bank will maintain its proactive management

policy with respect to information security by means of new solutions to be applied and recently designed control processes. Meanwhile, as in 2013, the Bank will continue its efforts in 2014 to eliminate the issues found during the penetration test. TSKB will also carry out various activities within the scope of BRSA's Communiqué on the "Principles to Be Considered in Information Systems Management in Banks", and COBIT auditing in 2014.

Through the new IT projects in the new period, TSKB aims to maximize security, efficiency and competitiveness. While developing critical infrastructure and compliance projects on one hand, the Bank also plans to launch new products and new decision support systems, which will increase the competitiveness of the Bank.

### TSKB's corporate governance rating was raised to 9.40 in 2013.

TSKB's corporate governance rating, which was determined as 9.11 on October 18, 2012, was revised up to 9.40 in 2013. This was the highest corporate governance rating ever awarded to any Turkish company as of the end of 2013.

According to the rating agency's evaluation; in consideration of TSKB's determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously and the improvements it has put in place since the publication of the first rating, the corporate governance rating of the Bank is updated.

Sub-categories of the Report	Weight (%)	2011	2012	2013
Shareholders	25	8.78	8.79	8.87
Public Disclosure and Transparency	35*	9.79	9.79	9.71
Stakeholders	15	9.73	9.73	9.54
Board of Directors	25*	8.08	8.10	9.51
Total	100	9.10	9.11	9.40

\* In 2013, the CMB lowered the public disclosure and transparency section's weighting to 25%, while raising the Board of Directors section's weighting to 35%.

\*\* The corporate governance rating revision prepared by SAHA Corporate Governance and Credit Rating Services, Inc. is available on TSKB's website at [www.tskb.com](http://www.tskb.com).

## Milestones of Corporate Governance at TSKB



### Milestones of Corporate Governance in Turkey

<b>2001</b>	TÜSİAD (Turkish Industry & Business Association) published the Corporate Governance Guide, taking the OECD's Corporate Governance Principles as a reference.
<b>2003</b>	The CMB announced the Corporate Governance Principles.
<b>2004</b>	The CMB placed an obligation on companies quoted on the BIST to release their Declarations of Compliance to the Principles of Corporate Governance in their websites and annual reports.
<b>2005</b>	Principles of Corporate Governance and related practices were included in the Banking Law no. 5411. The CMB revised and updated the Principles of Corporate Governance.
<b>2006</b>	The BRSA released a communiqué on the Principles of Corporate Governance.
<b>2007</b>	BIST Corporate Governance Index begun to be calculated.*
<b>2011</b>	The CMB released the Communiqué on the Determination and Application of Principles of Corporate Governance.
<b>2012</b>	The Communiqué on the Determination and Application of Principles of Corporate Governance entered into effect at the end of the year for banks quoted on the BIST.

### TSKB's Corporate Governance Rating by Years

<b>2009</b>	8.77 out of 10 (87.69%)  Since 2009, TSKB has been subject to corporate governance rating assessment which ensured its place in the BIST Corporate Governance Index.
<b>2010</b>	8.92 out of 10 (89.15%)
<b>2011</b>	9.10 out of 10 (91.02%)
<b>2012</b>	9.11 out of 10 (91.09%)
<b>2013</b>	9.40 out of 10 (94.03%)

\* The index is calculated based on the companies' ratings submitted by CMB-licensed agencies to the BIST. For their shares to be included in the Corporate Governance Index, companies need to have a minimum Corporate Governance Rating of 7 out of 10 and 6.5 per each main heading. The index composes of 47 companies at the end of 2013.

## TSKB and Sustainable Banking

**Through the various practices which it has implemented under "environmentally-friendly banking" since 2005, and then under "sustainable banking", particularly since 2008, TSKB has become a trend setting bank in its sector.**

Having successfully integrated sustainability into all of its services and processes, TSKB has gained significant ground in economic and social areas, especially in bringing the environmental impact of its activities under control, and continued to share the value it creates with its stakeholders. Participating in national and international initiatives, TSKB is considered as a role model. With this in mind, TSKB is determined to support sustainability and increase its contributions to economic growth.

### TSKB's sustainable banking strategy

TSKB's sustainability strategy is grounded on the perspective of supporting Turkey's sustainable development. The Bank has adopted sustainability as an unaltered target, because it sees sustainability as an extremely valuable instrument which can create permanent and long-term value for all of its stakeholders.

TSKB acknowledges its responsibilities for a sustainable future, not just for Turkey but for the whole world. Within the framework of the project finance and lending activities which form a major part of its product and service cycle, the Bank continues to contribute to sustainability by extending financial support to those investments that protect the environment and reduce the impacts of climate change.

Supporting the low-carbon economy is one of the cornerstones of TSKB's sustainable banking strategy. TSKB considers common welfare, human resources and social responsibilities in all of its operations. Besides its identity as a preferred employer which respects human rights, encourages personal and professional development and continuously invests in its human resources, TSKB provides an indirect contribution to employment through the investment projects that it supports by allocating funds.

TSKB's Sustainability Management System (SMS) was configured in accordance with ISO 14001 and ISO 14064 standards.

## Milestones of Sustainable Banking at TSKB

	Establishment of the ISO 14001 Environmental Management System (EMS) (2007)	Systematic calculation of the Bank's carbon footprint (since 2006)	Removal of the carbon footprint (since 2008) – Zero carbon banking	Membership of United Nations Environmental Programme Finance Initiative (UNEP FI) (2009)	Corporate stakeholder of the Global Reporting Initiative (GRI) (2009)	Sustainability reporting at GRI standards (three times since 2009)
Participation in the Carbon Disclosure Project (2010)	Signatory of the UN Global Compact (2010)	Participation in the Water Disclosure Project (2011)	FT – IFC – Sustainable Banking of the Year Award (2008, 2009 and 2010)	Transition from Environmental Management System (EMS) to Sustainability Management System (2012)	ISO 14064-1 certification (2012)	Setup of the Sustainability Committee (2013)

## Corporate Social Responsibility at TSKB

### The Environment: Our Priority at TSKB

In 2013, TSKB continued to perform corporate social responsibility activities under the motto, "The Environment: Our Priority at TSKB".

In its social responsibility projects, as in all of its banking activities, TSKB provides continuous support for the Turkish private sector to continue manufacturing without consuming the future. TSKB collaborates with the business world and universities to raise people's awareness on such environmental issues, particularly climate change, which threatens to the future of the world, and also takes measures such as carbon and energy management aimed at tackling such threats.

Having conducted a number of projects within the scope of its program entitled "The Environment: Our Priority at TSKB" over the past 7 years, TSKB launched the [www.cevreciyiz.com](http://www.cevreciyiz.com) website in 2007 and [www.cevreciyiz.tv](http://www.cevreciyiz.tv) - Turkey's most comprehensive environment-related video portal - in 2009. The joint purpose of these two projects is:

- to turn these platforms into an important resource in environmental issues, and
- to share environmental issues with the public and raise their environmental awareness, by reaching the broadest masses

#### [www.cevreciyiz.com](http://www.cevreciyiz.com) is renewed.

As we enter 2014, the Bank pursues its efforts to introduce a new interface and add unique topics to [cevreciyiz.com](http://www.cevreciyiz.com), which is one of Turkey's leading reference points for environmental issues.

The most up-to-date news about the environment can be accessed at [cevreciyiz.com](http://cevreciyiz.com), a platform that brings together all stakeholders concerned with the environment. The website primarily aims to raise awareness among all respective segments, particularly the business world, on various issues, such as sustainability, energy efficiency, environment-friendly designs and alternative energy sources.

#### [www.tskbenerjiverimiligi.com](http://www.tskbenerjiverimiligi.com)

[www.tskbenerjiverimiligi.com](http://www.tskbenerjiverimiligi.com) is another TSKB project which aims to raise awareness of the importance of energy efficiency, and brings all respective segments together on a joint platform.

The website extensively contributes to raising awareness of energy efficiency.

#### Intensive collaboration with universities in 2013.

TSKB believes that cooperation between universities and the private sector is crucial in terms of sustainable banking. To this end, the Bank has entered collaboration with a number of universities over the last four years.

TSKB carried out a number of events in different universities with the participation of the Bank's senior executives in a bid to communicate with the managers of the future and to inform the younger generations of the bank's contributions to the Turkish economy and its efforts in the area of sustainable banking. In this context, the Bank held case presentations and conversations, accepted participants to the TSKB Sustainability Workshop and either sponsored various university clubs or events, or attended as a speaker.

In 2013, TSKB collaborated with a total of 7 universities.

#### A sustainability literacy program for university students: The TSKB Sustainability Workshop

The TSKB Sustainability Workshop is held every year focusing on three main topics: Quantification, a multidimensional point of view and teamwork.

During the Sustainability Quantification Workshop in 2013, TSKB brought university students together with business representatives for a second time. The workshop was held in TSKB's Cennet Bahçesi on 17th April, 2013 with the participation of students from Sabancı University, Koç University and Boğaziçi University.

More than 40 students participated at the TSKB Sustainability Workshop, where 13 private sector representatives and 4 academics supported students in their case studies.

#### Sharing of Expertise

TSKB shares its expertise on subjects such as corporate loans, sustainable banking, project finance and energy efficiency by supporting various events as a sponsor, coordinator or speaker. These efforts are particularly important in helping TSKB reach a wide range of stakeholders and to share its experience in the area of sustainability.

### Project "The environment: Our Priority at TSKB" From Past to Present

- Turkey's most comprehensive portal related to the environment – [www.cevreciyiz.com](http://www.cevreciyiz.com) (since 2007)
- A Day of Meeting Nature with NGOs (2007)
- Sculpture Competition with the Mimar Sinan Academy of Fine Arts (2007)
- "The Environment: Our Priority at TSKB" Conferences (2008-2009)
- Various sponsorships in events related to the environment, energy and sustainability (since 2008)
- Turkey's first video portal related to the environment – [www.cevreciyiz.tv](http://www.cevreciyiz.tv) (since 2009)
- "Rüzgarın Kanatları"(Wings of the Wind) Book Project (2010)
- Energy Efficiency Portal – [www.tskbenerjiverimiligi.com](http://www.tskbenerjiverimiligi.com) (since 2011)
- Sustainability Workshops with Universities (since 2011)
- [cevreciyiz.com](http://cevreciyiz.com) is renewed (2013)





## TSKB's Subsidiaries

### Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman Securities)

Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman Securities), which is the first capital market corporation of Turkey, was founded on October 15th, 1976 with the participation of 13 big scale banks under the leadership of Türkiye İş Bankası (İsbank) and TSKB.

Having gained itself a respected place in the capital markets by demonstrating rapid and consistent growth since its foundation, Yatırım Finansman has been one of the leading corporations of the sector as a "symbol of trust". With a strong and wide service network throughout Turkey, Yatırım Finansman offers reliable, qualified and rapid capital market services to individual and corporate investors throughout Turkey and the world.

With its knowledge and expertise, Yatırım Finansman continues to offer value added services to its clients, thanks to its strong capital structure and its 37-year background in the finance sector. As part of its changed vision in 2012, the company pressed ahead with its investments in its customer-oriented service understanding in 2013. By focusing on asset management together with its Asset Management and Domestic Sales teams that were restructured in 2013, Yatırım Finansman aims to distinguish itself through the services that it provides to its investors.

As a result of the synergy that it has created with its primary shareholder, the company expanded its network to 14 branches in 2013, with the number of branches in Istanbul increasing to 5 with the opening of the new Fındıklı Branch under TSKB.

Offering rapid and high-quality services to its domestic and foreign corporate investors through its extensive investor base, branch network and mobile practices, Yatırım Finansman became an indispensable strategic partner in public offerings.

With TSKB holding a 95.78% stake in the company, Yatırım Finansman's shareholders' equity stood at TL73.1 million with total assets of TL 486.2 million at the end of 2013. The company generated TL 3 million in net profit from its operations in the year to December 31st, 2013.

With its extensive client base, as well as over TL 2 billion in client assets and a mutual fund size of more than TL 161 million as of the end of 2013, Yatırım Finansman commands a prominent position among brokerage houses, raising the bar of service quality at all times. The volume of assets under the company's management increased from TL 45 million at the end of 2012 to over TL 160 million by the end of 2013.

As the first and only brokerage house in Turkey to reach its "Zero Carbon" target, Yatırım Finansman broke new ground in the sector in 2013 by investing in the future. Within the scope of social responsibility, the company aims to raise environmental awareness through the practice, "Carbonmeter", which was launched in the social media.

### TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) (TSKB Real Estate Investment Trust - TSKB REIT)

Founded in 2006, TSKB REIT is a portfolio management company which primarily aims to create and develop a profitable real estate portfolio. TSKB REIT, a subsidiary of TSKB which is Turkey's first privately-owned investment and development bank, is supported by the Bank's 64-year corporate expertise and experience.

As a capital market organization, TSKB GYO can invest in real estates, capital market instruments based on real estates, real estate projects as well as rights based on real estates and capital market instruments, establish ordinary partnerships to develop certain projects and engage in other activities permitted under Capital Market Board's relevant communiqué.

The fundamental values of TSKB REIT are consistency, transparency, quality, social responsibility, customer orientation and teamwork. The primary principles of the company's investment strategy are based on its target of growth through project development, as well as sustainability and risk management. Founded with an initial capital of TL 10 million, TSKB REIT's total assets had reached TL 376.2 million as of December 31st, 2013 on the back of new investments, and the size of rentable area under its management increased from 3,000 m<sup>2</sup> to 50,000 m<sup>2</sup>.

### TSKB REIT's Real Estate Portfolio

TSKB REIT's fundamental principle is to offer investors a sound and reliable portfolio of real estate properties while taking advantage of the support of the knowledge and experience, expertise and corporate approach of its founder and shareholder, TSKB.

Within this overall framework, the company seeks to formulate and manage a basket of properties that are diversified by both type and geographical location.

TSKB GYO's investment activities focus mainly on commercial real estates but investment opportunities of residence and other areas can be put on the agenda.

The company pursues a growth-oriented investment strategy through project development, aiming to deal with and develop projects starting from the brainstorming phase, and to organize all necessary efforts during the process and conclude and implement such efforts in a manner which ensures commercially viable efficiency. Another important element of this approach, that provides a considerable contribution to the sustainability of projects, is to perform effective risk analysis through proper planning. To this end, TSKB REIT executes a delicate planning process before starting to build up the project and takes measures to minimize possible risks. The company's real estate portfolio includes the following:

- The Pendorya Shopping Mall opened on December 17th, 2009 with approximately 80,648 m<sup>2</sup> of indoor space and 30,275 m<sup>2</sup> of rentable space located on E-5 motorway in Pendik, Istanbul,
- Two office blocks with 17,603 m<sup>2</sup> of indoor area, located in Fındıklı, Istanbul,
- The Tahir Han located in Karaköy, Istanbul, and
- A 50% share in a 3,608 m<sup>2</sup> plot of land, where the construction of a hotel (Divan Adana Hotel) is underway in the city center of Adana.

### TSKB REIT and Capital Markets

Enabling real estate properties to be a sound and liquid alternative capital market instruments for investment is one of TSKB REIT's primary aims. TSKB REIT is fully regulated by Turkey's capital market laws and regulations. The company completed a public offering once it had formulated its real estate property portfolio in line



with legal requirements and satisfied other criteria; its shares have been traded at the Borsa Istanbul Corporate Products Market under the TSGYO ticker since April 2010.

www.tskbgyo.com.tr

#### **TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal)**

TSKB Gayrimenkul Değerleme A.Ş. was founded by TSKB in 2002 to provide real estate appraisal services. The foundations of TSKB Gayrimenkul Değerleme's knowledge and experience are rooted in more than half a century of TSKB's expertise in the valuation of real estate properties, machinery and equipment.

TSKB Gayrimenkul Değerleme A.Ş. provides independent and impartial service meeting international standards (IVSC) in areas such as valuation, consultancy, project development and feasibility studies, highest and best use studies, market research, sector studies, investment study-control, machine-equipment expertise, asset appraisal and portfolio risk analysis; and carries out its work in accordance with the principle of confidentiality.

TSKB Gayrimenkul Değerleme A.Ş. has adopted the mission of guiding its clients' investment decisions by keeping abreast of sector-specific data on a daily basis, and prepares reports in the light of current developments. By offering market research services, the company also supports investors to take the right steps in their real estate investments.

As the representative of deeply rooted know-how and expertise in the real estate appraisal sector, TSKB Gayrimenkul Değerleme A.Ş. provides consultancy services in every phase of project initiation, thanks to its licensed appraisal specialists and a strong organization structure which has expanded throughout Turkey. The company's experts are responsible for identifying the market values of a wide array of properties, such as land, business centers, factories, plants, malls, hotels, logistics facilities and ports.

With its robust and professional personnel, TSKB Gayrimenkul Değerleme A.Ş. has been providing independent and impartial services to international standards to individuals, domestic and foreign companies, public institutions, domestic and foreign banks, real estate investment trusts, real estate development firms, law offices, financial leasing companies, insurance and reinsurance companies, municipalities, independent audit firms, brokerage houses, foundations and, in particular, companies subject to CMB regulations. The company prepared reached 31,000 reports as of 2013.

TSKB Gayrimenkul Değerleme A.Ş. was included in the "Appraisal Companies" list approved by the Capital Markets Board in February 2003. TSKB Gayrimenkul Değerleme A.Ş. became one of the first companies to be authorized to provide the "Real estate, real estate project or appraisal of rights and interests related with real estate" service in accordance with the BRSA decision No. 3469, dated December 17th, 2009. After having received BRSA licenses, the company was granted a RICS license by the Royal Institution of Chartered Surveyors as an international service guarantee and became one of the leading companies in Turkey to offer services with three licenses.

Having begun to provide appraisal and consultancy services for 'green building' investments in 2012, a first in Turkey, TSKB Gayrimenkul Değerleme A.Ş. holds a BREEAM (Building Research Establishment Environmental Assessment Method) license which is accepted to be among the best environmental assessment system for buildings. The company offers process analysis services in the appraisal of "Green Buildings" and "Green Value" analysis in highest and best use, and certification of projects and existing buildings as "green buildings".

TSKB Gayrimenkul Değerleme A.Ş. continues to serve and strengthen its extensive service network day by day, and currently has more than 250 representatives and branches in a total

Operating in various business lines such as capital markets, real estate investment trusts, real estate appraisal and sustainability consultancy, TSKB's subsidiaries contribute to its strategy of offering "integral services".

of 6 cities (Ankara, Izmir, Bursa, Adana, Antalya and Istanbul) with the head office located in Istanbul.

#### **ESCARUS Sürdürülebilir Danışmanlık A.Ş. (Escarus)**

ESCARUS Sürdürülebilir Danışmanlık A.Ş., founded by TSKB's affiliate Yatırım Finansman A.Ş. with a 96% participation share and TL 240,000 of capital on March 24th, 2011, aims to develop sustainability solutions, provide advisory services and integrate internationally recognized global, environmental and sustainable approaches to the Turkish business world with its experienced and professional workforce.

Escarus services, which are based on TSKB's long standing environment and sustainability approach, are kept under 4 main categories:

- Consultancy-Engineering
- Training
- Certification
- Monitoring / Reporting.

The objective of Escarus is to provide the best solutions designed for its clients, thanks to its cooperation with advisors and companies having expertise on their fields

Escarus takes firm steps to realize its target of being the reference point in Turkey for sustainability under a corporate project management approach based on international principles.

Brief information on TSKB's subsidiaries operating under the Isbank Group is provided below:

	Sector	Capital	TSKB's Share	Website
İş Finansal Kiralama A.Ş.	Finance	TL 424.4 million	28.56%	www.isleasing.com.tr
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	TL 66.7 million	16.67%	www.isgirisim.com.tr
İş Factoring A.Ş.	Finance	TL 40 million	21.75%	www.isfactoring.com.tr

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p>SECTION I: FOUNDATION, FOUNDERS, OBJECTIVES, CORPORATE TITLE, HEAD OFFICE AND DURATION</p> <p>Foundation: Article 1</p> <p>Article 1 - Türkiye Sınai Kalkınma Bankası Anonim Şirketi has been founded and incorporated by the founders named below and by those who shall hold share certificates issued in accordance with the conditions laid down in subsequent articles of the Statutes herein, to be administered in accordance with the provisions of the laws in effect and the Statutes herein.</p> <p>Founders</p> <p>TÜRKİYE İŞ BANKASI A.Ş. (Ulus Meydanı, Ankara)  OSMANLI BANKASI (Galata, İstanbul)  YAPI VE KREDİ BANKASI A.Ş. (Beyoğlu, İstiklal Caddesi, İstanbul)  İSTANBUL TİCARET BORSASI (Bahçekapı, Hamidiye Türbesi, İstanbul)  İSTANBUL TİCARET VE SANAYİ ODASI (4'ncü Vakıf Han, İstanbul)  TÜRKİYE GARANTİ BANKASI A.O. (Ankara)  SELANİK BANKASI (Galata, İstanbul)  TÜRK TİCARET BANKASI A.Ş. (Ankara)  AKBANK T.A.O. (Adana)  BANKA KOMERÇİYLE İTALYANA (Galata, İstanbul)  BANKO Dİ ROMA (Sultanhamam, İstanbul)  ÇUKUROVA SANAYİ İŞLETMELERİ T.A.Ş. (Tarsus)  HOLLANTSE BANK ÜNİ N.V. (Galata, İstanbul)  İZMİR PAMUK MENSUCAT T.A.Ş. (İzmir)  MENSUCAT SANTRAL T.A.Ş. (Yedikule, İstanbul)  TUTUM BANKASI A.O. (Voyvoda Cad., Galata, İstanbul)  TÜRKİYE İMAR BANKASI T.A.Ş. (Aşir Efendi Cad. İmar Han, İstanbul)  TÜRKİYE KREDİ BANKASI A.O. (Meydancık, İstanbul)  MECİT DURUİZ (Ankara, Bahçelievler 32.Sokak.No.3)  CABİR SELEK (Ankara, Kavaklıdere, Güven Evleri No.20)  HAZİM ATIF KUYUCAK (İstanbul, Ayazpaşa, Tüten Apt.)  NURİ DAĞDELEN (İstanbul, Teşvikiye Kağıthane)  SUPHİ ARGON (İstanbul, Fenerbahçe Hat Boyu No.3)  HAKKI AVUNDUK (İstanbul, Teşvikiye Mutlu Apt.)  VEHBİ KOÇ (Ankara, Yenışehir, Atatürk Bulvarı. Koç Apt.)</p>	<p>SECTION I: FOUNDATION, FOUNDERS, OBJECTIVES, CORPORATE TITLE, HEAD OFFICE AND DURATION</p> <p>Foundation: Article 1</p> <p>Türkiye Sınai Kalkınma Bankası Anonim Şirketi has been incorporated by the founders named below and by those who shall hold share certificates issued in accordance with the conditions laid down in subsequent articles of the Main Articles herein to be administered in accordance with the provisions of the laws in effect and the Articles herein.</p> <p>Founders</p> <p>TÜRKİYE İŞ BANKASI A.Ş. (Ulus Meydanı, Ankara)  OSMANLI BANKASI (Galata, İstanbul)  YAPI VE KREDİ BANKASI A.Ş. (Beyoğlu, İstiklal Caddesi, İstanbul)  İSTANBUL TİCARET BORSASI (Bahçekapı, Hamidiye Türbesi, İstanbul)  İSTANBUL TİCARET VE SANAYİ ODASI (4'ncü Vakıf Han, İstanbul)  TÜRKİYE GARANTİ BANKASI A.O. (Ankara)  SELANİK BANKASI (Galata, İstanbul)  TÜRK TİCARET BANKASI A.Ş. (Ankara)  AKBANK T.A.O. (Adana)  BANKA KOMERÇİYLE İTALYANA (Galata, İstanbul)  BANKO Dİ ROMA (Sultanhamam, İstanbul)  ÇUKUROVA SANAYİ İŞLETMELERİ T.A.Ş. (Tarsus)  HOLLANTSE BANK ÜNİ N.V. (Galata, İstanbul)  İZMİR PAMUK MENSUCAT T.A.Ş. (İzmir)  MENSUCAT SANTRAL T.A.Ş. (Yedikule, İstanbul)  TUTUM BANKASI A.O. (Voyvoda Cad., Galata, İstanbul)  TÜRKİYE İMAR BANKASI T.A.Ş. (Aşir Efendi Cad. İmar Han, İstanbul)  TÜRKİYE KREDİ BANKASI A.O. (Meydancık, İstanbul)  MECİT DURUİZ (Ankara, Bahçelievler 32.Sokak.No.3)  CABİR SELEK (Ankara, Kavaklıdere, Güven Evleri No.20)  HAZİM ATIF KUYUCAK (İstanbul, Ayazpaşa, Tüten Apt.)  NURİ DAĞDELEN (İstanbul, Teşvikiye Kağıthane)  SUPHİ ARGON (İstanbul, Fenerbahçe Hat Boyu No.3)  HAKKI AVUNDUK (İstanbul, Teşvikiye Mutlu Apt.)  VEHBİ KOÇ (Ankara, Yenışehir, Atatürk Bulvarı. Koç Apt.)</p>
<p>Objectives: Article 2</p> <p>Purpose of Establishment</p> <p>The Purpose of establishment of the Bank is specified as follows;</p> <p>A- To provide assistance in all sectors of the economy, primarily in the industrial sector, enterprises in setting up new plants, expanding, modernizing and developing the activities of the existing ones.</p> <p>To provide assistance in the implementation of projects and activities to be carried out abroad by the entrepreneurs directly or as joint ventures and to provide assistance in the development of money and capital markets.</p> <p>B- To encourage and assist the local and foreign capital enterprises in undertaking investments in Turkey and participating in the capital of companies established and to be established in Turkey,</p> <p>C- To assist the development of a capital market in Turkey and to encourage and promote the private ownership of securities issued by industrial enterprises,</p> <p>In pursuance of the objectives stated at A, B, and C above, the Bank may:</p> <p>a) Provide financing by short, medium, and long-term loans against pledge, mortgage or other securities or by way of open credits,</p>	<p>Objectives: Article 2</p> <p>Purpose of Establishment</p> <p>The Purpose of establishment of the Bank is specified as follows;</p> <p>A- To provide assistance in all sectors of the economy, primarily in the industrial sector, to enterprises in setting up new plants, expanding, modernizing and developing the activities of the existing ones,</p> <p>To provide assistance in the implementation of projects and activities to be carried out abroad by the entrepreneurs directly or as joint ventures and to provide assistance in the development of money and capital markets.</p> <p>B- To encourage and assist the local and foreign capital enterprises in undertaking investments in Turkey and participating in the capital of companies established and to be established in Turkey,</p> <p>C- To assist the development of a capital market in Turkey and to encourage and promote the private ownership of securities issued by company,</p> <p>In pursuance of the objectives stated at A, B, and C above, the Bank may:</p> <p>a) Provide financing by short, medium, and long-term loans against pledge, mortgage or other securities or by way of open credits,</p>

OLD VERSION	NEW VERSION
<p>b) Participate in the existing industrial enterprises and those to be established and if deemed necessary, finance the establishment of new industrial enterprises from its own resources,</p> <p>c) Perform capital or money market transactions in Turkey and abroad in cooperation with the national and/or international institutions regarding all kinds of securities and participate in the capital of companies established or to be established for this purpose,</p> <p>d) Become a party of all kinds of financial leasing transactions and/or other similar financial transactions, issue guarantees, act as an intermediary and establish companies for this purpose and participate in the capital of those to be established,</p> <p>e) Provide technical and managerial assistance and information to enterprises, provide training services, consultancy services, procure the software and other instruments required for these services or participate in the capital of companies established or to be established for this purpose,</p> <p>f) Undertake solely or jointly with other real persons or legal entities, all such activities related to movable and immovable assets, accept, establish and extinct mortgages provided as collateral against its receivables, conclude mortgage sharing agreements and acquire real estate,</p> <p>g) Sell or otherwise dispose of receivables, participations and belongings in the industrial enterprises as rapidly as possible, thus enabling the Bank's resources to be used again in the pursuance of its objectives herein stated,</p> <p>h) In the attainment of its objectives as stated above, conclude short, medium or long-term loan agreements and undertake every type of banking transaction involved in the conduct of its activities,</p> <p>i) Undertake insurance brokering and agency activities and create facilities to provide for the social security and general welfare of its own staff and personnel, to donate to the trusts that is established by its own personnel or other trusts institutions,</p> <p>j) Perform all kinds of money and capital market activities and transactions also as the agent of corporations authorized to perform such transactions allowed by laws and legislation and pursuant to the rulings of the Capital Market Board.</p> <p>The Bank's activities are not limited with the above mentioned activities. The Bank may conduct every type of legal transactions (as a representative and/or agent if deemed necessary) involved in the scope of its objectives.</p> <p>If it is deemed necessary to redetermine the objectives specified in Paragraph A, B, and C above, the Bank may enter into such other fields of activity as are considered to be useful and necessary, provided always that the Statutes are appropriately amended by the resolution of a general meeting of shareholders on the proposal of the Board of Directors.</p> <p>For so long as it does not accept deposits, the Bank shall be subject to the provisions of relevant articles of the Banking Act. However, should the Bank, at any time, wish to accept deposits in accordance with the aforementioned legislation, it shall notify the authorities designated in the Banking Act accordingly.</p>	<p>b) Provided that the provisions of the Capital Market Code and Banking Act are reserved, to participate in the existing industrial enterprises and those to be established and if deemed necessary, finance the establishment of new industrial enterprises from its own resources,</p> <p>c) Within the scope of the Capital Markets Code, provided that the provisions of the Capital Market Code and Banking Act are reserved, to perform capital or money market transactions in Turkey and abroad in cooperation with the national and/or international institutions regarding all kinds of securities and participate in the capital of companies established or to be established for this purpose,</p> <p>d) Provided that the provisions of the Capital Market Code and Banking Act are reserved, to become a party of all kinds of financial leasing transactions and/or other similar financial transactions, issue guarantees, act as an intermediary and found companies for this purpose and participate in the capital of those to companies be established,</p> <p>e) Provided that the provisions of the Capital Market Code and Banking Act are reserved, to provide technical and administrative assistance and information to enterprises, provide training services, consultancy services, procure the software and other instruments required for these services or participate in the capital of companies established or to be established for this purpose,</p> <p>f) Undertake solely or jointly with other real persons or legal entities, all such activities related to movable and immovable assets, accept, establish and terminate mortgages provided as collateral against its receivables, conclude mortgage sharing agreements and acquire real estates,</p> <p>g) Sell or otherwise dispose of receivables, participations and belongings in the industrial enterprises as rapidly as possible, thus enabling the Bank's resources to be used again in the pursuance of its objectives herein stated,</p> <p>h) In the attainment of its objectives as stated above, conclude short, medium or long-term loan agreements and undertake every type of banking transactions involved in the conduct of its activities,</p> <p>i) Undertake insurance brokering and agency activities and create facilities to provide for the social security and general welfare of its own staff and personnel,</p> <p>j) Perform all kinds of money and capital market activities and transactions also act as the agent of corporations authorized to perform such transactions allowed by laws and legislation and pursuant to the provisions of the Capital Market Board.</p> <p>jj) To donate to trusts established by its own staff and personnel or to other trusts and foundations for social responsibility purposes in accordance with the provisions of the Capital Market Code and the Banking Code and provided that such donations do not conflict with the purpose and activity scope of the Bank. The upper limit for the donations shall be determined by the General Assembly and this amount cannot be exceeded. The donations made cannot conflict with the regulations of the Capital Market Board related with hidden profits transfer and shall be added to the distributable profit amount. Donations made within the year shall be submitted to the approval of the General Assembly.</p> <p>The Bank's activities are not limited with the above mentioned activities. The Bank may conduct every type of legal transactions (as a representative and/or agent if deemed necessary) involved in the scope of its objectives.</p> <p>If it is deemed necessary to re-determine the objectives specified in Paragraph A, B, and C above, the Bank may enter into such other fields of activity as are considered to be useful and necessary, provided always that the Articles of Association are appropriately amended by the resolution of a general meeting of shareholders on the proposal of the Board of Directors.</p> <p>The related authorizations should be obtained from the Ministry of Customs and Trade, the Capital Market Board and Banking Regulation and Supervision Agency in order to amend the purpose and activity scope of the Bank.</p> <p>For so long as it does not accept deposits, the Bank shall be subject to the provisions of relevant articles of the Banking Act. However, should the Bank, at any time, wish to accept deposits in accordance with the aforementioned legislation, it shall notify the authorities designated in the Banking Act accordingly.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p><b>Corporate Title and Head Office: Article 3</b></p> <p>The corporate title of the Bank is "Türkiye Sınai Kalkınma Bankası Anonim Şirketi".</p> <p>The Bank's Head Office is located in Istanbul province, Beyoğlu district. The address of the Bank is Meclisi Mebusan Cad. No. 161 34427, Fındıklı - Istanbul. In case of a change in the address, the new address shall be registered at the Trade Registry Office and announced in the Turkish Trade Registry Gazette and be notified to the Capital Market Board and Ministry of Industry and Trade of the Republic of Turkey. If the Company fails to have its new address, registered in due time after it has moved from its registered and announced address, the case shall be deemed as a dissolution of the Company. The notices served and made to the registered and announced address shall be deemed to have been served and made to the Bank.</p> <p>By a resolution of the Board of Directors and subject always to the provisions of the Banking Act and the Turkish Commercial Code, the Bank may, if deemed necessary, establish branches and/or representative offices and appoint correspondents both in Turkey and in foreign countries.</p>	<p><b>Corporate Title and Head Office: Article 3</b></p> <p>The corporate title of the Bank is "Türkiye Sınai Kalkınma Bankası Anonim Şirketi".</p> <p>The Bank's Head Office is located in Istanbul province, Beyoğlu district. The address of the Bank is Meclisi Mebusan Cad. No. 81, 34427, Fındıklı-Istanbul. In case of a change in the address, the new address shall be registered at the Trade Registry Office and announced in the Bulletin of Turkish Trade Registry Gazette and on the website of the Bank. Address changes should also be notified to Banking Regulation and Supervision Agency, the Capital Market Board and Ministry of Customs and Trade. The notices served and made to the registered and announced address shall be deemed to have been served and made to the Bank.</p> <p>Subject to the provisions of the Banking Act and the Turkish Commercial Code, the Bank may, if deemed necessary, establish branches and/or representative offices.</p>
<p><b>Duration: Article 4</b></p> <p>The Bank has been established for a period of 100 years from the date of registration and publication thereof. However, this period may be extended or curtailed by the resolution of a general meeting of shareholders.</p>	<p><b>Duration: Article 4</b></p> <p>The Bank has been established for an unlimited period of time as of the date of registration and publication thereof. However, this period may be amended by the resolution of a general meeting of shareholders.</p>
<p><b>SECTION II: SHARE CAPITAL, CAPITAL PAYMENT TERMS, SHARES, INCREASE AND REDUCTION IN CAPITAL</b></p> <p><b>Capital: Article 5</b></p> <p>The Bank has accepted the registered capital system in accordance with the provisions of the Capital Market Law and inaugurated the registered capital system upon the Permission of the Capital Markets Board No 1909, dated December 25th, 1997.</p> <p>The registered capital of the Bank is TL 2,500,000,000 (Two Billion Five Hundred Million Turkish Liras). The registered capital has been divided into 250,000,000,000 (Two Hundred Fifty Billion) shares, each having a value of 1 (one) Kuruş.</p> <p>The permission of the registered capital ceiling that was granted by the Capital Markets Board is valid between the years 2012 and 2016 (5 Years). At the end of 2016, even though the permitted registered capital ceiling has not been reached, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain a permission from the Capital Markets Board for the ceiling that was previously permitted or for a new ceiling amount and to receive an authorization from the General Assembly for a new time period. If such authorization could not be obtained, it shall be deemed that the Bank has been removed from the registered capital system.</p> <p>The issued and paid-in-capital of the Bank is TL 800,000,000 (Eight Hundred Million) Turkish Liras. The entirety of share certificates are registered shares. The issued capital has been divided into constituted of share certificates divided into 80,000,000,000 shares (Eighty Billion), each with a par value of 1 Kuruş.</p> <p>100 registered bonus shares have been issued and distributed to the founders, who are stockholders of the Bank, in proportion to their shareholding in the initial capital of the Bank.</p>	<p><b>SECTION II: SHARE CAPITAL, CAPITAL PAYMENT TERMS, SHARES, INCREASE AND REDUCTION IN CAPITAL</b></p> <p><b>Capital: Article 5</b></p> <p>The Bank has accepted the registered capital system in accordance with the provisions of the Capital Market Law and inaugurated the registered capital system upon the Permission of the Capital Market Board No 1909, dated December 25, 1997.</p> <p>The registered Capital of the Bank is TL 2,500,000,000 (Two and a Half Billion Turkish Liras). The registered capital has been divided into 250,000,000,000 (Two Hundred and Fifty Billion) shares, each having a value of 1 (one) Kuruş.</p> <p>The license issued by the Capital Market Board for maximum registered capital is valid between 2012-2016 (5 years). At the end of 2016, even if the Bank has not reached the allowed registered capital limit, in order for the Board of Directors to pass a resolution for increasing the registered capital, it shall also obtain the approval of the General Assembly, provided that a new license is issued for the previous capital limit or for a new upper registered capital limit from the Capital Market Board. If such approval is not obtained, the Bank shall be out of the registered capital system.</p> <p>The issued and paid-in-capital of the Bank is TL 1,100,000,000 (One Billion Hundred Million Turkish Liras). The entirety of share certificates are registered shares. The issued capital has been divided into constituted of share certificates divided into 110,000,000,000 shares (One Hundred and Ten Billion), each with a par value of 1 Kuruş.</p> <p>The shares representing the capital shall be registered and monitoring according to dematerialization principles.</p>

OLD VERSION	NEW VERSION
<p>Within the framework of the provisions of the Capital Market Law and other relevant Legislation, the Board of Directors, when deems it necessary, is authorized to raise the issued capital by issuing registered shares in the amount corresponding to the upper limit of the registered capital notwithstanding the provisions of the Turkish Commercial Code concerning the capital increase between 2012 and 2016. No further issue of share certificates may be made unless all the issued shares are sold and paid in full or those shares not sold are cancelled.</p> <p>All shares to be issued shall be registered shares and shall be quoted on the Stock Exchange. Within the framework of the regulations and rulings of the Capital Markets Board, the Board of Directors is also authorized to issue shares to represent several shares jointly, provided no charge shall be made in the par value of the said share certificates. Provided that the regulations and the rulings of the Capital Markets Board are reserved, these shares may be then exchanged by individual share certificates upon the request of the shareholders in the number equivalent to the share value represented by the former shares.</p>	<p>The capital of the Company may be increased or reduced, when deemed as necessary in line with the provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Act.</p> <p>Further, 100 registered bonus shares have been issued and distributed to the founders, who are stockholders of the Bank, in proportion to their shareholding in the initial capital of the Bank.</p> <p>Within the framework of the provisions of the Capital Market Law and other relevant Legislations, the Board of Directors between 2012-2016, when deems it necessary, is authorized to raise the issued capital by issuing registered shares up to the upper limit of the registered capital and to pass resolutions regarding provision of or limiting the right of shareholders to purchase shares and issuance of shares below the bonus share or nominal share value. However, the authority to limit new share purchasing rights cannot be exercised in a manner that will cause inequality between the shareholders.</p> <p>All shares to be issued shall be registered shares and shall be quoted on the Stock Exchange. In accordance with the regulations of the Capital Market Board, the Board of Directors is also authorized to issue shares to represent several shares jointly, provided no change shall be made in the par value of the said share certificates. Provided that the regulations of the Capital Market Board are reserved, these shares may be then exchanged by individual share certificates upon the request of the shareholders in the number equivalent to the share value represented by the former shares.</p> <p>Provided that the regulations of the Turkish Commercial Code, the Capital Market Code and the Banking are reserved, the share certificates may be transferred and assigned.</p> <p>Unless the assignee taking over the registered shares that are not quoted in the stock exchange registers and declares such shares in his/her own name and account, the Bank shall be authorized to decline registration of such transfer to its stock ledger.</p> <p>The provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Code in relation with the acquisition of its own shares by the Bank are reserved.</p>
<p>Payment for Share Certificates: Article 6</p> <p>The content of share certificates shall be in the form and manner as required by laws and legislation.</p> <p>The value of shares to be issued against cash as a result of the capital increases to be realized, shall be paid all at once and in cash.</p>	<p>Share Certificates and Payment: Article 6</p> <p>The content of share certificates shall be in the form and manner as required by laws and legislation.</p> <p>The value of shares to be issued against cash as a result of the capital increases to be realized, shall be paid all at once and in cash.</p>
<p>Indivisibility of Shares: Article 7</p> <p>The Bank shall consider each share certificate as an indivisible unit. In cases where a share certificate is owned jointly by several persons or legal entities, the owners shall exercise their rights visa - vis the Bank only through a single common representative. The Bank shall recognize this representative as the owner of the share certificate in question. Should the owners fail to appoint a common representative, the notices to be served to one of the owners of the share certificate by the Bank shall be deemed to have been served and made to all of them.</p> <p>The voting right arising from the shares bearing the usufruct shall be exercised by the beneficial owner. Where in such cases there is more than one usufructuary, the voting right shall be exercised by a common representative to be appointed from amongst their number. Should the usufructuaries fail to appoint a common representative, the provision stated in the first paragraph above shall be applied.</p>	<p>Liability of Shareholders: Article 7</p> <p>Shareholders shall be financially liable only to the extent of the face value of the share certificates owned by them. They shall not be held liable beyond the monetary liability assumed by them when they subscribed for the shares they hold.</p>
<p>Liability of Shareholders: Article 8</p> <p>Shareholders shall be financially liable only to the extent of the face value of the share certificates owned by them. They shall not be held liable beyond the monetary obligation into which they entered when they subscribed for the shares they hold.</p>	<p>Status of Heirs and Creditors: Article 8</p> <p>The ownership of a share certificate shall imply the owner's acceptance of the provisions of the Articles of Association herein and of the resolutions of the General Assembly.</p> <p>All rights conferred by and all obligations arising from the ownership of a share certificate, shall belong solely to the owner of the share certificate. On no account whatsoever may a shareholder's heirs or creditors intervene with the Bank's management or demand the attachment and sale of any of the Bank's property.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p>Status of Heirs and Creditors: Article 9</p> <p>The ownership of a share certificate shall imply the owner's acceptance of the provisions of the Statutes herein and of the resolutions of the general meetings of shareholders.</p> <p>All rights conferred by and all obligations arising from the ownership of a share certificate, including potential claims on dividends and reserve funds, shall devolve on the owner of the share certificate absolutely. On no account whatsoever may a shareholder's heirs or creditors intervene with the Bank's management or demand the attachment and sale of any of the Bank's property.</p>	<p>Increase of Share Capital: Article 9</p> <p>The Bank's share capital may be increased in accordance with the arrangements of the Turkish Commercial Code, the Capital Market Board, the Banking Act and the legislative rules and the provisions of the Statutes herein.</p> <p>Provided that the provisions of Article 5 of the Articles of Association are reserved, the capital increases to be realized within the upper limit of registered capital shall be determined by the Board of Directors.</p> <p>The Bank's share capital may be increased by means of undertakings by existing shareholders to increase their own commitments, by the admission of new shareholders, by the capitalization of funds accrued in Bank's Reserve Account or by the revaluation to be made pursuant to laws and legislation.</p> <p>If it is resolved to raise the Bank's capital by means of a new issue of shares, the existing shareholders shall have priority (stock warrant) for the purchase of such shares. The terms, conditions and procedures regarding such preference rights, as well as the period within which this preference must be exercised, shall be determined and resolved by the Board of Directors in accordance with the Capital Market Law and legislation. The share certificates for which the preference rights have not been exercised in due time, shall be offered to public in accordance with the laws and legislation.</p> <p>Should it be resolved that the Bank's share capital be increased by the capitalization of funds accrued in the Extraordinary Reserve Account or by the revaluation, each shareholder shall acquire new shares proportionately to his/her existing shareholding.</p> <p>The Bank's share capital may also be increased by means of the issue of shares above par value or by restricting the rights of shareholders to buy new shares. However, the limitation authority of the Board of Directors for limiting the right of shareholders to purchase new shares shall not be used in a manner that will cause inequality between the shareholders.</p> <p>The resolutions of the Board of Directors passed by using these rights shall be announced to public by a special explanation regarding the resolution to increase the capital.</p>
<p>Increase of Share Capital: Article 10</p> <p>The Bank's share capital may be increased in accordance with the arrangements of the Capital Market Board and the legislative rules and the provisions of the Statutes herein.</p> <p>Provided that the provisions of Article 5 of the Statutes are reserved, the aspects referring to the share certificates in capital increases to be realized within the upper limit of registered capital, shall be determined by the Board of Directors.</p> <p>The Bank's share capital may be increased by means of undertakings by existing shareholders to increase their own commitments, by the admission of new shareholders, by the capitalization of funds accrued in the Bank's Contingency Reserve Account or by the revaluation to be made pursuant to laws and legislation.</p> <p>In the event that it is resolved to raise the Bank's capital by means of a new issue of shares, the existing shareholders shall be given preference in so far as the purchase of such shares is concerned. The terms, conditions and procedures regarding such preference rights, as well as the period within which this preference must be exercised, shall be determined and resolved by the Board of Directors in accordance with the Capital Market Law and legislation. The share certificates for which the preference rights have not been exercised in due time, shall be offered to public in accordance with the laws and legislation.</p> <p>Should it be resolved that the Bank's share capital be increased by the capitalization of funds accrued in the Contingency Reserve Account or by the revaluation, each shareholder shall acquire new bonus shares proportionately to his/her existing shareholding.</p> <p>The Bank's share capital may also be increased by means of the issue of shares above par value or by restricting the rights of shareholders to buy new shares.</p>	<p>Reduction of Share Capital: Article 10</p> <p>Bank's share capital may be reduced upon the resolution of the General Assembly and provided that the provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Act are observed. Upon the completion of the formalities effecting the reduction, the customary procedures shall be observed in so far as the registration and publication thereof is concerned. The form the reduction will take shall also be decided by the General Assembly.</p>



OLD VERSION	NEW VERSION
<p>Reduction of Share Capital: Article 11</p> <p>Provided always that the provisions of the Turkish Commercial Code are observed, a general meeting of shareholders may decide upon a reduction in the Bank's share capital. Upon the completion of the formalities effecting the reduction, the customary procedures shall be observed in so far as the registration and publication thereof is concerned. The form, which the reduction will take, shall also be decided by the general meeting of shareholders.</p>	<p>Issue of Bonds and Other Securities, with a right to purchase-replace: Article 11</p> <p>By a resolution of the Board of Directors, the Bank may issue bonds and other securities, deemed as capital market instruments. The limit for the bonds to be issued shall be determined in accordance with the arrangements of the Capital Market Board and the provisions of relevant laws and regulations. In that case, the provisions of Article 504 and 505 of the Turkish Commercial Code shall not be applied.</p> <p>Unless and until all the amounts of bonds and other capital market instruments issued are paid in full to the Bank or the unsold bonds are cancelled, the Bank may not issue new bonds and other capital market instruments. The provisions of the Turkish Commercial Code shall apply in all cases of a holder's involuntary dispossession the share certificates and/or the bonds issued through loss, theft, destruction, etc.</p> <p>By a resolution of the Board of Directors the Bank may mobilize the resources of the financial markets through issue of promissory notes, bank guaranteed notes and similar securities and negotiable instruments (debentures) within the framework of the Capital Market Code, the Banking Code and other related laws and legislation.</p>
<p>Issue of Bonds and Other Securities: Article 12</p> <p>By a resolution of the Board of Directors, the Bank may issue bonds which bear or not bear interests, which grant or not grant the right of participating in the Bank's share of profit or which are convertible into share certificates. The limit for the bonds to be issued shall be determined in accordance with the arrangements of the Capital Market Board and the provisions of relevant laws and regulations. In that case, the provisions of Article 423 and 424 of the Turkish Commercial Code shall not be applied. Unless and until all the bonds issued are paid in full to the Bank, no further issue of either ordinary or extraordinary bonds may be made. The provisions of the Turkish Commercial Code shall apply in all cases of a holder's involuntary dispossession the share certificates and/or the bonds issued through loss, theft, destruction, etc.</p> <p>By a resolution of the Board of Directors the Bank may mobilize the resources of the money markets through issue of promissory notes, bank guaranteed notes and similar securities and negotiable instruments (debentures) within the framework of the Banking Act, Capital Market Law and other related laws and legislation.</p>	<p>SECTION III: ADMINISTRATION, ADMINISTRATIVE STRUCTURE AND ORGANIZATION OF THE BANK</p> <p>Administration, the Administrative Structure and Organization of the Bank : Article 12</p> <p>The Bank's administrative organs shall be its Board of Directors and its General Management.</p>
<p>SECTION III: ADMINISTRATIVE STRUCTURE AND ORGANIZATION OF THE BANK</p> <p>The Bank's Administrative Structure and Organization: Article 13</p> <p>The Bank's administrative organs shall be its Board of Directors and its General Management.</p>	<p>A. THE BOARD OF DIRECTORS</p> <p>The Board of Directors: Article 13</p> <p>The business and administration of the Bank shall be conducted by the Board of Directors composing of at least five members, of which the majority do not hold any execution positions and duties and who shall be elected by the General Assembly of shareholders in accordance with the provisions of the Turkish Commercial Code, Capital Market Code and the Banking Act. One of the said members shall be elected from among the candidates to be nominated by the Central Bank of the Republic of Turkey related with the banking profession. The General Manager is a permanent member of the Board of Directors.</p> <p>The number and qualifications of independent members of the Board of Directors shall be governed by the corporate governance articles of the Capital Market Code.</p> <p>The members of the Board Directors must be in full possession of their civil rights.</p> <p>Those members of the Board of Directors who are declared bankrupt and/or have declared insolvency shall be regarded as having resigned.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p><b>A. THE BOARD OF DIRECTORS</b> The Board of Directors: Article 14</p> <p>The business and administration of the Bank shall be conducted by a Board of Directors composed of eleven members to be elected by the general assembly of shareholders in accordance with the provisions of the Turkish Commercial Code and the Banking Act. One of the said members shall be elected from among the candidates to be nominated by the Central Bank of the Republic of Turkey as being connected with the banking profession. The President is the permanent member of the Board of Directors.</p> <p>The obligations of Board members with respect to depositing shares shall be governed by the provisions of Article 313 of the Turkish Commercial Code.</p> <p>The members of the Board Directors must be in full possession of their civil rights.</p> <p>Those members of the Board of Directors who are declared bankrupt and/or have stopped payment shall be regarded as having resigned.</p>	<p><b>Directors' Term of Office: Article 14</b></p> <p>The members of the Board of Directors shall be elected for at most a period of three years. Members may be re-elected at the end of their term.</p>
<p><b>Directors' Term of Office: Article 15</b></p> <p>The members of the Board of Directors shall be elected for a period of three years. Members may be re-elected at the end of their terms.</p>	<p><b>Board Vacancies: Article 15</b></p> <p>In the event of a vacancy in the Board of Directors as a result of death, resignation or other causes, the Board shall itself elect a person to fill such vacancy amongst nominees who possess the qualities and attributes stated by the Turkish Commercial Code, the Capital Market Code and the Banking Act and such members shall be in charge until the next General Assembly meeting. If such members are approved by the General Assembly, they shall remain in duty until they complete the terms of their predecessors. The provisions of Article 363 of the Turkish Commercial Code are reserved.</p> <p>For a justified reason, any member of the Board of Director may be discharged even if dismissal is not included in the agenda or is included in the agenda by the General Assembly.</p>
<p><b>Board Vacancies: Article 16</b></p> <p>In the event of a vacancy in the Board of Directors as a result of death, resignation or other causes, the Board shall itself elect a person to fill such vacancy until the next general meeting of shareholders. In the event that the general meeting shall confirm them in office, members elected to fill vacancies shall complete the terms of their predecessors.</p>	<p><b>Chairman and Deputy Chairman of the Board: Article 16</b></p> <p>Each year, the Board of Directors shall elect a Chairman and a Deputy Chairman from among its members, except for the General Manager. In the absence of both the Chairman and the Deputy Chairman, the members of the Board who are present shall elect a temporary Chairman for such meeting from within themselves. Provided that the provisions of these Articles of Association are reserved, the Chairman title shall not connote any other privileged rights to the Chairman except for ensuring the minutes be kept duly and properly in the Board meetings, maintaining the order and regularity of the proceedings during the meeting and presiding the general assembly meetings of shareholders.</p>

OLD VERSION	NEW VERSION
<p>First Board of Directors: Article 17</p> <p>As it is no more valid, this Article has been omitted.</p>	<p>Board of Directors Meetings: Article 17</p> <p>The Board of Directors shall hold its meetings in Istanbul but, provided more than half of the Board members agree, the meetings may be held elsewhere. The Board may hold meetings in an electronic medium, or only some members may participate to these meeting through an electronic medium.</p> <p>Participants authorized to participate to the meetings of Board of Directors of the Bank may also attend these meetings through an electronic medium in accordance with the Article 1527 of the Turkish Commercial Code. The Bank may establish an Online Meeting System or may purchase an already set up system which will allow right holders to participate to these meetings and vote in these meetings by an electronic medium in accordance with the terms and conditions indicated in the Notification regarding Electronic Board Meetings except for General Assembly Meetings of Incorporations. During these meetings, the right holder shall be able to exercise their rights indicated in the related regulation in accordance with the terms and conditions of the said Notification through the use of the system established or purchased in accordance with this Article.</p> <p>The Board of Directors shall meet when the business and operations of the Bank requires upon the call of the Chairman or Deputy Chairman however, it shall convene at least once a month.</p> <p>The date and the agenda of the Board of Directors meeting is to be determined by the Chairman of the Board of Directors. However, the date of the meeting may also be determined with a resolution of the Board of Directors. The Board of Directors is authorized to change the agenda of the meeting. Each member of the Board of Directors may request in writing the Chairman or the Deputy Chairman in his absence to convene the Board of Directors to a meeting.</p> <p>The provisions of paragraph 4 of Article 390 of the Turkish Commercial Code are reserved.</p>
<p>Chairman and Deputy Chairman of the Board: Article 18</p> <p>Each year, the Board of Directors shall elect from among its members a Chairman and a Deputy Chairman. In the absence from a meeting of both the Chairman and the Deputy Chairman, the members of the Board who are present shall elect a Chairman of the meeting from within their own number. Provided that the provisions of the Statutes are reserved, the title shall not connote any other privileged right to the Chairman except for ensuring the minutes be kept duly and properly in the Board meetings, maintaining the order and regularity of the proceedings during the meeting and presiding the general meetings of shareholders.</p>	<p>Quorum for Meetings and Resolutions of the Board of Directors: Article 18</p> <p>Resolutions by the Board of Directors shall be valid only if they are adopted in the presence of a majority of the members of the Board. Confirmation of the presence of a quorum shall be recorded and documented with the signatures of those present on the minutes before proceedings begin.</p> <p>If, during the course of the proceedings, a quorum ceases to exist, the meeting shall be suspended.</p> <p>Resolutions shall be adopted by the majority vote of the members present. In the event of a tied vote, the adoption of the resolution in question shall be held over until the next meeting of the Board. Should the vote again be tied, the matter in question shall be deemed as rejected. The members cannot vote in place and on behalf of each other. However, members of the Board unable to attend a meeting may give their views and opinions in writing to the Chairman as regards any matter included in the agenda for that meeting. These views and comments shall be recorded in the minutes. In accordance with Article 390 (4) of the Turkish Commercial Code, unless one of the members requests a meeting to be held, a written proposal delivered to all members of the Board of Directors by a member, can be passed as a resolution upon written approval of the majority of all of the members, including the member who has submitted such a proposal.</p> <p>The resolutions can be passed with an electronic signature in a secure electronic medium and it shall be recorded on the minute book that such resolutions are kept in an electronic medium.</p> <p>Notices of meetings must include the agenda for the meeting. Notices shall either be delivered directly to Board members against a receipt or sent to them by registered mail or by an e-mail sent to the e-mail address of the members. Directors residing at some distance from the Bank's Head Office shall notify the Chairman of their addresses. Otherwise, they will forfeit their rights of objection on the grounds that because they did not receive a notice of the meeting they had no opportunity to give a written comment on the subject of resolutions adopted at the meeting in question.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p>Meetings of the Board of Directors: Article 19</p> <p>The Board of Directors shall hold its meetings in Istanbul but, provided more than half of the Board members agree, the meetings may be held elsewhere.</p> <p>The Board shall meet as and when the Bank's business and operations make this necessary. Nonetheless, the Board must meet at least once a month.</p> <p>Meetings of the Board of Directors shall convene upon the call of the Chairman to be made on his own initiative or upon a written request of one of the Directors.</p> <p>The provisions of paragraph 2 of Article 330 of the Turkish Commercial Code are reserved.</p>	<p>Minutes of Resolutions Adopted by the Board of Directors: Article 19</p> <p>Minutes of the proceedings of the Board meetings, the views of those who opposed the resolutions adopted and the resolutions adopted thereat shall be kept and these shall be signed by the Chairman and by the other Directors present at the meeting. In order for the meeting minutes to be partially or completely forcible against third persons, they shall bear the signature of the Chairman or signatures of persons who are duly authorized to sign such meeting minutes on behalf of the Bank. The contents of these minutes shall be deemed as evidence to the composition of the Board, the names of the members absent and of the office and status of the members present at the meeting.</p>
<p>Quorum for Meetings and Resolutions by the Board: Article 20</p> <p>Resolutions by the Board of Directors shall be valid only if they are adopted in the presence of a majority of the members of the Board. Confirmation of the presence of a quorum shall be recorded by the signatures of those present on the minutes before proceedings begin.</p> <p>If, during the course of the proceedings, a quorum ceases to exist, the meeting shall be suspended.</p> <p>Resolutions shall be adopted by the majority vote of the Directors present. In the event of a tied vote, the adoption of the resolution in question shall be held over until the next meeting of the Board. Should the vote again be tied, the Chairman shall have a casting vote. Only members of the Board who are personally present at meetings may vote and proxies shall not be permitted. However, members of the Board unable to attend a meeting may give their views and opinions in writing to the Chairman as regards any matter included in the agenda for that meeting. These views and comments shall be recorded in the minutes.</p> <p>Notices of meetings must include the agenda for the meeting. Notices shall either be delivered directly to Board members against a receipt or sent to them by registered mail. Directors residing at some distance from the Bank's Head Office shall notify the Chairman of their addresses. If this is not done, they will forfeit their rights of objection on the grounds that because they did not receive a notice of the meeting they had no opportunity to give a written comment on the subject of resolutions adopted at the meeting in question.</p>	<p>The Board's Powers and Duties: Article 20</p> <p>The Bank is administered and represented by the Board of Directors. The Board of Directors shall perform its duties and exercise its powers in accordance with these Articles and further in line with the related liabilities and duties as stated in the Turkish Commercial Code, the Capital Market Code, the Banking Act and other related codes and also duties assigned to it by the General Assembly.</p> <p>The signatory authorities and the representation and binding rights and duties of such signatory authorities, who shall represent and bind the Bank with their signatures and undersign documents and contracts issued on behalf of the Bank, which without their signature would not be enforceable and binding, shall be determined, registered and announced by a resolution of the Board of Directors.</p> <p>The signatory authorities cannot act outside or against the purpose and scope as indicated in Article 2 and cannot act or be involved in illegal acts and actions. If anything to the contrary, the Bank shall be authorized to have recourse against such persons, even for acts and transactions such transactions for which the Bank is responsible from and may hold these persons in charge. The bank will not be bound by acts and transactions in which the third person is aware that such an act or transaction is in conflict with the purpose and scope of the Bank or is in a position to be aware of such fact. Third persons, who continuously do business with the bank or who receive explanatory, cautionary and similar notices and resolutions of the Bank or who are acquainted with such notices and resolutions cannot claim good will.</p>

OLD VERSION	NEW VERSION
	<p>a) Responsibility for the Banks' administration, for its representation vis-a-vis third parties and shareholders and in Courts of Law, is vested in the Board of Directors. The Board shall draw up a code of regulations establishing the respective responsibilities of the General Management and the Board itself.</p> <p>b) The Board shall have absolute responsibility in so far as the administration of the Bank's real estate, securities and property generally are concerned and in so far as any necessary contracts or transactions relating to the Bank's activities are concerned. The Board shall have the authority to sign commitments on the Bank's behalf in these respects. The Board shall be empowered, in case of need, to negotiate settlements of disputes and to appoint arbitrators.</p> <p>c) The regulations necessary to ensure the orderly performance of the Bank's internal operations shall be agreed and ratified by the Board.</p> <p>d) The Board of Directors shall conduct the Company's affairs with the same care, due diligence and expedition as they customarily undertake their own affairs. The Board shall be responsible for keeping the books and accounts for submitting such books, balance sheet, profit and loss accounts at least three weeks before a General Assembly meeting for shareholders' examination. The Board of Directors shall also issue a report, along with the balance sheet, indicating the commercial, industrial, financial and economic status of the Bank and which includes a summary of the transactions and business within that year at the end of each year and determine the procedure for the application of depreciation adjustments, the amounts to be transferred to reserve funds and the amounts to be distributed as dividend.</p> <p>e) In addition to those powers vested in it under the terms of the Turkish Commercial Code, the Board may draw up and propose amendments and/or supplementary provisions for these Articles to the General Assembly.</p> <p>The Board of Directors is empowered by the General Assembly to act on behalf of the General Assembly in executing the resolutions adopted by them at general meetings.</p> <p>In the event of the dismissal of the Board of Directors' members by the General Assembly and rejection of the Board's activities by such meetings, the rights acquired by third parties shall be reserved.</p> <p>The Board of Directors along with the powers and duties indicated in the Turkish Commercial Code, the Capital Market Code and other related codes, is obliged to establish, manage and develop a committee for early determination and management of risks as indicated in Article 378 of the Turkish Commercial Code. This Committee shall carry out the duties and powers indicated in Article 378. The members of the Board of Directors may also take part in this committee to be established.</p>
<p>Minutes of Resolutions Adopted by the Board: Article 21</p> <p>Minutes of the proceedings of the Board meetings and the resolutions adopted thereat shall be kept and these shall be signed by the Chairman and by the other Directors present at the meeting. The minutes shall include the views of those who opposed the resolutions adopted by the meeting. So that they may, wholly or in part, become valid vis-a-vis third parties, the minutes shall be signed by the Chairman and by those persons who are duly authorized to sign on the Bank's behalf. The contents of these minutes shall be deemed as evidence to the composition of the Board, the names of the members absent and of the office and status of the members present at the meeting.</p>	<p>Delegation of Powers: Article 21</p> <p>In accordance with the provisions of Article 375 of the Turkish Commercial Code, the Board of Directors may delegate its responsibilities in part or in whole to the managing directors or to General Management on such terms as the Board itself shall determine by an internal directive in accordance with the provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Act, provided that the unassignable powers and duties in Article 375 of the Turkish Commercial Code and other unassignable powers and duties indicated in other Articles.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p>The Board's Powers and Duties: Article 22</p> <p>a) Responsibility for the Banks' administration, for its representation vis-a-vis third parties and shareholders and in Courts of Law, is vested in the Board of Directors. The Board shall draw up a code of regulations establishing the respective responsibilities of the General Management and the Board itself.</p> <p>b) The Board shall have absolute responsibility in so far as the administration of the Bank's real estate, securities and property generally are concerned and in so far as any necessary contracts or transactions relating to the Bank's activities are concerned. The Board shall have the authority to sign commitments on the Bank's behalf in these respects. The Board shall be empowered, in case of need, to negotiate settlements of disputes and to appoint arbitrators. The Board may determine those persons, other than those of their own number, with authority to represent and commit the Bank and decide the limits of such authority.</p> <p>c) The regulations necessary to ensure the orderly performance of the Bank's internal operations shall be agreed and ratified by the Board.</p> <p>d) The Board of Directors shall conduct the Company's affairs with the same care, due diligence and expedition as they customarily undertake their own affairs. The Board shall be responsible for keeping the books of account necessary to record the Bank's operations, for delivering to the auditors at least one month in advance of the date of the annual general meeting of shareholders the inventory book and the balance sheet and profit and loss account for the preceding year, and for submitting these documents to the shareholders at least fifteen days prior to the date of the meeting. The Board shall prepare and provide to the auditors a semiannual statement of the Bank's assets and liabilities and, at the end of each accounting year, prepare, in addition to the balance sheet and accounts, a report summarizing the Bank's commercial, industrial, financial and economic situation and its operations. The Board shall also determine and propose to the general meeting of shareholders, the nature of and procedure for the application of depreciation adjustments, the amounts to be transferred to reserve funds and the amounts to be distributed as dividend.</p> <p>e) In addition to those powers vested in it under the terms of the Turkish Commercial Code, the Board may draw up and propose to general meetings of shareholders such amendments and/or supplementary provisions to the Statutes, as it may consider necessary.</p> <p>The Board of Directors is empowered by the general meeting of shareholders to act on behalf of the shareholders in executing the resolutions adopted by them at general meetings.</p> <p>In the event of the dismissal of the Board of Directors' members by a general meeting of shareholders and disapproval of the Board's activities by such meetings, the rights acquired by third parties shall be reserved.</p>	<p>Prohibited Operations: Article 22</p> <p>a) No member of the Board of Director, the General Manager or any of the Directors of the Bank may, for his own account or on behalf of others, directly or indirectly enter into any transactions with the Bank or enter into any commercial transaction which falls within the Bank's field of operation without obtaining the approval of the General Assembly and cannot become a unlimited partner of another company which engages in a similar activity scope as the Bank in accordance with the Turkish Commercial Code, the Capital Market Board and the Banking Act.</p> <p>b) Members of the Board may not take part in the discussion of matters pertaining to their personal interests or concerning the interests of those of their connections as are described in Article 393 of the Turkish Commercial Code and are not allowed to vote in this matter.</p> <p>c) The Board of Directors may not acquire shares issued by the Bank on behalf of the Bank itself, nor may accept the Bank's shares as security but the exceptions specified in Article 379 and following articles of the Turkish Commercial Code and the Capital Market Code and the Banking Code shall be reserved.</p> <p>d) Members of the Board are prohibited to be involved in the competitive activities as laid down in the Turkish Commercial Code and other related codes.</p>
<p>Delegation of Powers: Article 23</p> <p>In accordance with the provisions of Article 319 of the Turkish Commercial Code, the Board of Directors may delegate its responsibilities in part or in whole to the General Management and it may also delegate part of its responsibilities to one or more specific members of the Board, on such terms as the Board itself shall determine.</p>	<p>Board of Directors' Remuneration: Article 23</p> <p>In addition to the dividend to be assigned and paid to the Chairman and members of the Board in accordance with Article 47 of the Articles, the members of the Board of Directors shall receive a fee, bonus and premium in the form and amount to be determined by the General Assembly.</p>
<p>Prohibited Operations: Article 24</p> <p>a) No Director may, for his own account or on behalf of others, directly or indirectly enter into any commercial transaction which falls within the Bank's field of operation without the permission of a general meeting of shareholders.</p> <p>b) Members of the Board may not take part in the discussion of matters pertaining to their personal interests or concerning the interests of those of their connections as are described in Article 349 of the Turkish Commercial Code and are not allowed to vote in this matter.</p> <p>c) The Board of Directors may not acquire shares issued by the Bank on behalf of the Bank itself, nor may accept the Bank's shares as security but the exceptions specified in Article 329 of the Turkish Commercial Code shall be reserved.</p> <p>d) Members of the Board are prohibited to involve in the competitive activities as laid down in Article 335 of the Turkish Commercial Code.</p>	<p>Liability: Article 24</p> <p>The Directors shall be liable for those matters which fall within their authority but shall not be personally liable for the Bank's commitments.</p>



OLD VERSION	NEW VERSION
<p>Directors' Remuneration: Article 25</p> <p>In addition to the dividend to be assigned and paid to the Chairman and members of the Board in accordance with Article 58 of the Statutes, they shall receive an appropriation, the form and amount whereof shall be decided by the general meeting of shareholders.</p>	<p>B. GENERAL MANAGEMENT: The General Management: Article 25</p> <p>The Bank's General Management shall comprise of a General Manager and Assistant General Managers. The General Manager and the Assistant General Managers shall be appointed by and may be dismissed by the Board of Directors. The General Manager may be one of the Directors of the Bank or may be recruited from outside the Board and Bank.</p> <p>The monthly and other pay for the General Manager and Assistant General Managers shall be determined by the Board of Directors.</p>
<p>Liability: Article 26</p> <p>The Directors shall be liable for those matters which lie within the compass of their authority but shall not be personally liable for the Bank's commitments.</p>	<p>Participation to Meetings: Article 26</p> <p>The Assistant General Managers may be invited to attend meetings of the Board of Directors but they shall not be entitled to vote.</p>
<p>B. GENERAL MANAGEMENT: The General Management: Article 27</p> <p>The Bank's General Management shall comprise the President and Executive Vice Presidents. The President and Executive Vice Presidents shall be appointed by and may be dismissed by the Board of Directors. The President may be one of the Directors of the Bank or may be recruited from outside the Board and Bank. The Board of Directors shall determine the salaries and other remuneration of the President and Executive Vice Presidents.</p>	<p>Powers: Article 27</p> <p>The powers and authorities of the General Manager shall be determined by the Board of Directors.</p>
<p>Invitation to Meetings: Article 28</p> <p>The Executive Vice Presidents may be invited to attend meetings of the Board of Directors but they shall not be entitled to vote.</p>	<p>SECTION IV: AUDITORS</p> <p>Election of Auditors: Article 28</p> <p>The General Assembly shall elect an independent audit firm in accordance with the codes in force. After the election of such auditor, the Board of Directors shall register the Auditor to the Trade Registry and announce it on its website and on the Bulletin of Turkish Trade Register. The independent audit firm elected by the General Assembly shall serve for a term as indicated in the code.</p>
<p>Powers: Madde 29</p> <p>The President's responsibilities and duties shall be determined by the Board of Directors.</p>	<p>Auditors' Qualifications: Article 29</p> <p>The Auditor shall have the qualifications indicated in the Turkish Commercial Code, the Capital Market Code and the Banking Act.</p>
<p>SECTION IV: AUDITORS</p> <p>Election of Auditors: Article 30</p> <p>The general meeting of shareholders shall elect two auditors, for a term not exceeding one year, for the purpose of auditing the proper application of the Statutes and of the provisions of the Turkish Commercial Code.</p> <p>The auditors' remuneration shall be determined by the general meeting of shareholders. Auditors may be reelected for a further term of office.</p>	<p>SECTION V: THE GENERAL ASSEMBLY</p> <p>Ordinary and Extraordinary General Assembly Meetings: Article 30</p> <p>The General Assembly consists of shareholders and holds ordinary and extraordinary meetings according to the provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Act. Resolutions adopted in such Meetings shall be equally valid and enforceable for those who have opposed them and those who were absent from the Meetings.</p> <p>An Ordinary General Meeting shall be held at least once in every year, within three months of the close of the Bank's accounting year. During the course of this annual meeting, the matters included in the agenda, by the Board of Directors in accordance with the Turkish Commercial Code, the Capital Market Code and the Banking Act are discussed. The dismissal and renewal of the Board of Directors' members may be carried out during the discussions for the year-end financial tables and outside of the agenda.</p> <p>Extraordinary General Assembly Meetings shall be convened at such times and in such circumstances as the Bank's business shall require or when matters indicated in Article 410 and the following articles of the Turkish Commercial Code arise and shall be carried out in accordance with the Turkish Commercial Code, the Capital Market Code and the Banking Code and the related articles indicated here.</p> <p>The General Assembly meetings shall be conducted in accordance with the provisions of the "Internal Directives for General Assemblies"</p> <p>The provisions of the related codes for prohibiting share transfers on the General Assembly Meeting Date for the dematerialized shares are reserved.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p><b>Auditors' Qualifications: Article 31</b></p> <p>Auditors need not necessarily be the Bank shareholders. Auditors who have been declared bankrupt or have suspended payments shall be deemed to have resigned their office.</p>	<p><b>Place of Meetings: Article 31</b></p> <p>The General Assembly meetings shall be held within the borders of the local authority in which the headquarters of the Bank is located. The authority to determine the exact address of the meeting in the city in which the headquarters are located belongs to the person calling the assembly to meetings. The authority to determine another location outside of the local authority the headquarters are located in, or in foreign countries belongs to the person calling the assembly to a meetings.</p> <p>Participants authorized to attend to the meetings of Board of Directors of the Bank may also attend these meetings through an electronic medium in accordance with the Article 1527 of the Turkish Commercial Code. The Bank may establish an Online Meeting System or may purchase an already set up system which will allow right holders to participate to these meetings and vote in these meetings by an electronic medium in accordance with the terms and conditions indicated in the Notification regarding Electronic Board Meetings except for General Assembly Meetings of Incorporations. During these meetings, the right holder or his/her proxy shall be able to exercise their rights indicated in the related aid Notification through the use of the system established or purchased in accordance with this Article.</p>
<p><b>Auditors' Duties: Article 32</b></p> <p>In addition to their responsibility for carrying out the functions laid down in Article 353 of the Turkish Commercial Code, the auditors are empowered to audit and examine and check all the books of account, records, correspondence files and minutes of meetings on the Bank's premises. The Board of Directors shall prepare and provide the auditors with a statement of the Bank's assets and liabilities at the end of each semiannual period.</p> <p>On conclusion of their investigations pursuant to the provisions of the Statutes and of the Turkish Commercial Code, the auditors shall submit a report of their findings to the general meeting of shareholders and shall state, too, their opinion as regards the balance sheet and profit and loss account.</p> <p>Auditors are at liberty to attend meetings of the Board of Directors but they shall not be entitled to vote. They may cause to be included in the agendas of Directors' meetings and general meetings of shareholders such proposals as they may consider to be appropriate. In the situations which are provided for in the Turkish Commercial Code, it shall be the auditors' duty to convene a general meeting of shareholders.</p>	<p><b>Notifying the Ministry of Customs and Trade: Article 32</b></p> <p>Both the ordinary and extraordinary General Assembly Meetings shall be notified to the Capital Market Board and The Ministry of Customs and copies of the agenda and of the documents relevant thereto shall be forwarded to the Ministry in accordance with the provisions of the Turkish Commercial Code. A representative of the Ministry of Customs and Trade shall be present at all general meetings.</p> <p>A representative of the Ministry of Customs and Trade to be present in all General Assembly Meetings is subject to Article 407 of the Turkish Commercial Code and the provisions thereof are reserved.</p>
<p><b>Liability: Article 33</b></p> <p>The auditors shall be held jointly and severally liable for any failure to discharge the duties conferred upon them by law or by the Statutes.</p>	<p><b>Compliance to the Turkish Commercial Code: Article 33</b></p> <p>The General Assembly Meetings shall be subject to the provisions of the Turkish Commercial Code.</p>
<p><b>Shareholders' Recourse to Auditors: Article 34</b></p> <p>The method by which shareholders may have recourse to the auditors and the procedures to be adopted by the latter in the event of such recourse, shall be governed by the general provisions of the Turkish Commercial Code.</p>	<p><b>Meeting Invitation: Article 34</b></p> <p>Ordinary general meetings shall be held at the time prescribed by the Articles and the related codes with an invite of the Board of Directors.</p> <p>The extraordinary General Assembly meetings shall also be held with the call of the Board of Directors. Invitation to General Assembly Meetings shall be carried out in accordance with the Turkish Commercial Code, the Capital Market Code and the Banking Act. The articles of the Capital Market Code and Invitation of the General Assembly articles of Corporate Management Principles are reserved. In this respect even if the General Assembly's term has expired, it can still be invited to a meeting by the Board of Directors.</p> <p>For such invitation, the related articles of the Capital Market Code, Turkish Commercial Code and the related regulations shall be applied. Invites for General Assembly Meetings should be delivered at least three weeks before the date of the meeting by using all communication means including electronic communication along with communication means indicated in the related code.</p>

OLD VERSION	NEW VERSION
<p><b>Auditors' Liability in the Event of Legal Action: Article 35</b></p> <p>In the event that the general meeting of shareholders should resolve to file a suit against the Board of Directors for any reason whatsoever, such resolution shall be executed by the auditors.</p>	<p><b>Voting: Article 35</b></p> <p>At general meetings of shareholders, the holders of shares with a par value of 1 Kuruş each, shall be entitled to one vote for each share certificate they own and shall have voting rights in proportion to the total of their shares in accordance to Article 434 of the Turkish Commercial Code.</p>
<p><b>SECTION V: GENERAL MEETING OF SHAREHOLDERS</b></p> <p><b>Ordinary and Extraordinary General Assembly Meetings: Article 36</b></p> <p>The General Meeting of Shareholders shall be deemed to represent the entire body of the Bank's shareholders. General Meetings of Shareholders may be Ordinary or Extraordinary. Resolutions adopted by such Meetings shall be equally valid for those who have opposed them and those who were absent from the Meetings.</p> <p>An Ordinary General Meeting shall be held at least once in every year, within three months of the close of the Bank's accounting year. During the course of this annual meeting, the Bank's general operations and its accounts for the previous year, along with such other matters as are included in the agenda, shall be discussed and the necessary resolutions adopted.</p> <p>Extraordinary General Meetings of Shareholders shall be convened and resolutions thereat adopted in accordance with the provisions of the Turkish Commercial Code and the Statutes at such times and in such circumstances as the Bank's business shall require.</p>	<p><b>Agenda: Article 36</b></p> <p>The Board of Directors shall draw up and announce the agenda for General Assembly meetings at least three weeks in advance of the date on which the meeting is to be held. The notice so published shall include the date, hour of the meeting.</p> <p>Items which are not included in the agenda cannot be discussed at a general meeting, provided that the articles of Turkish Commercial Code and other codes in this respect are reserved.</p>
<p><b>Place of Meetings: Article 37</b></p> <p>Shareholders' meetings shall be held at the Bank's Head Office or at any such other convenient place in the city in which the Head Office is located.</p>	<p><b>Meeting Quorum: Article 37</b></p> <p>If there are Executive Directors in the Board of Directors, these directors, at least one other member of the Board of Directors and the independent auditor shall be present at General Assembly Meetings. The meeting and quorum of the General Assembly is subject to the Turkish Commercial Code and if and when applied, to the provisions of the Capital Market Code. The provisions of paragraph 5 of Article 421 of the Turkish Commercial Code are reserved.</p> <p>Except for matters and conditions where a higher meeting quorum is required by these Articles or as stated in the Turkish Commercial Code, the Capital Market Code and the related codes, it is obligatory for at least one fourth of the shareholders representing the share capital of the Bank to be present in person or by proxy at General Assembly meetings. If this quorum is not reached, a second meeting shall be organized. Notwithstanding the capital amount represented by the participating shareholders in the second meeting, the General Assembly shall be deemed to have gathered, met and adopted resolution in line and in conformity to the related provisions.</p>
<p><b>Notification of the Ministry of Industry and Trade: Article 38</b></p> <p>The Capital Market Board and The Ministry of Industry and Trade shall be notified in accordance with the provisions of the Turkish Commercial Code. Copies of the agenda and of the documents relevant thereto shall be forwarded to the Ministry. A Commissary of the Ministry of Industry and Trade shall be present at all general meetings.</p> <p>Resolutions adopted at general meetings in the absence of the Ministry of Industry and Trade's Commissary shall be considered invalid.</p>	<p><b>Proxies: Article 38</b></p> <p>Shareholders may be represented at ordinary and extraordinary general meetings of shareholders by other persons in accordance with Articles 427-431 of the Turkish Commercial Code. The Board of Directors shall determine and announce the types of authorization licenses in accordance with the Capital Market Code.</p> <p>The provisions of the Capital Market Code, The Banking Code and other related codes are reserved.</p>
<p><b>Governing Law: Article 39</b></p> <p>The provisions of the Turkish Commercial Code shall govern all general meetings of shareholders.</p>	<p><b>List of Participants: Article 39</b></p> <p>A list showing the names, surnames and shares of shareholders and shareholders' representatives who intend to be present at General Assembly meetings shall be prepared in accordance with the related codes.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p><b>Convening Meetings: Article 40</b></p> <p>Ordinary general meetings shall be held at the time prescribed by the Statutes and the Turkish Commercial Code and shall be called by the Board of Directors or, failing such call, be convened by the auditors or by the Ministry of Industry and Trade.</p> <p>Extraordinary general meetings may also be convened by the call of the Board of Directors. The rights recognized to minority shareholders in accordance with articles 366 and 367 of the Turkish Commercial Code in so far as the convening of a general meeting of shareholders and the inclusion of specific items in the agenda for a general meeting are reserved.</p>	<p><b>Chairman of the General Assembly: Article 40</b></p> <p>The Chairman of the Board of Directors shall preside at General Assembly meetings. In the absence of the Chairman, his place shall be taken by the Deputy Chairman. In the absence of both, the General Assembly shall elect a Chairman from amongst the members of the Board of Directors.</p> <p>The Chairman's duties shall be to maintain due order and regularity of discussions and to ensure that minutes of the meeting are kept in conformity with the law and the Bank's Articles of Association.</p> <p>The collection of votes shall be entrusted to the two shareholders present who hold the most shares. Should they decline this duty, the two shareholders holding the next highest number of shares shall be appointed and this procedure shall continue until two shareholders accept the duty of vote collection.</p> <p>The Secretary of each general meeting of shareholders shall be elected by the Chairman and by the vote collectors, either from among the shareholders present or from non-shareholders.</p> <p>A list or a book of the shareholders or their proxies actually present at each General Assembly meeting shall be prepared and shall indicate the names and addresses, the shares held and number of votes of each of those concerned. After its signature by all those present, the list shall be attached to the minutes of the meeting and be made available to all concerned for inspection on request.</p>
<p><b>Votes: Article 41</b></p> <p>At general meetings of shareholders, the holders of shares with a par value of 1 New Kuruş each, shall be entitled to one vote for each share. The provisions of Article 387 of the Turkish Commercial Code is reserved.</p>	<p><b>Proceedings and Minutes: Article 41</b></p> <p>In order for resolutions adopted at General Assembly meetings, the contents and results therefore and the grounds of objection of dissenting shareholders should be indicated on the minutes of the meeting.</p> <p>The minutes shall be signed by the shareholders and by the Ministry's Commissar attending the meeting. However, with the authorization of the shareholders present, the minutes may be signed by the Chairman and those appointed to collect votes.</p> <p>The documents attesting to the fact that the meeting was convened in conformity with the relevant regulations shall be attached to the minutes or their contents entered in the minutes themselves. The Board of Directors shall be responsible for ensuring that the completed minutes, together with a certified copy thereof, are registered and published in accordance with the requirements of the Turkish Commercial Code.</p>
<p><b>Agenda: Article 42</b></p> <p>The Board of Directors shall draw up and announce the agenda for general meetings of shareholders at least two weeks in advance of the date on which the meeting is to be held. The notice so published shall include the date, hour and place of the meeting.</p> <p>Items which are not included in the agenda cannot be discussed at a general meeting.</p>	<p><b>Majority and Consensus: Article 42</b></p> <p>Except for those special cases provided for in the Turkish Commercial Code and other related codes, resolutions shall be adopted at general meetings by the consensus of majority of those present, either in person or by proxy. Shareholders are debarred from exercising their voting rights indicated in Article 436 of the Turkish Commercial Code.</p> <p>If a consensus cannot be reached for the election of the Board of Directors, a second ballot shall be held and those receiving the highest number of votes in the second round of voting shall be elected. In the event of a tied vote or votes, the outcome shall be decided by the drawing of lots.</p>
<p><b>Quorums: Article 43</b></p> <p>Unless otherwise specified in the Turkish Commercial Code or in the Statutes, at both ordinary and extraordinary general meetings, the presence of shareholders, in person or by proxy, representing at least one-fourth of the Bank's share capital, is essential. Failing the presence of such a quorum at the first meeting, a second meeting shall be convened. This second meeting shall be deemed to be valid, its business shall proceed and resolutions shall be adopted regardless of the proportion of the Bank's share capital represented on this occasion. Resolutions shall be valid only by a majority of votes cast by principals and proxies.</p> <p>Shareholders are debarred from exercising their voting rights in those cases referred to in Article 374 of the Turkish Commercial Code.</p>	<p><b>Amendment of the Articles of Association: Article 43</b></p> <p>The provisions of the Turkish Commercial Code shall apply for the meetings and the quorums of General Assemblies convened for the discussion and resolution of amendments of the Articles of Association. Resolutions thus adopted shall become effective after registration and publication in the Trade Registry.</p> <p>Article 386 of the Turkish Commercial Code, the Capital Market Code, the Banking Code and the Capital Market Law shall be complied with in so far as all amendments to the Articles of Association are concerned.</p>

OLD VERSION	NEW VERSION
<p>Proxies: Article 44</p> <p>Shareholders may be represented at ordinary and extraordinary general meetings of shareholders by other shareholders or by such other person as they may designate. In addition to casting their own votes, shareholders who act as proxies shall have the right to vote on behalf of each of the shareholders whom they represent. The Board of Directors shall determine and notify the form of the power of attorney to be used in favor of proxies in accordance with the Capital Market Law and legislation. The provisions of the Banking Act, Capital Market Law and other relevant legislation are reserved.</p>	<p>Voting: Article 44</p> <p>Voting shall be registered by a show of hands in General Assembly meetings. However, secret voting may be carried out provided that the shareholders representing at least one-tenth of the share capital present at the meeting should so resolve. The arrangements of the Capital Market Board regarding voting by proxy, are reserved.</p> <p>The regulations and provisions of the Capital Market Code and the Turkish Commercial Code shall be applied for voting at General Assemblies.</p>
<p>Admission to Meetings: Article 45</p> <p>For the purposes of determining a quorum at general meetings, shareholders who intend to be present at such meetings may deposit their share certificates they represent in person or by proxy or the evidence of their holdings at the Bank's Head Office in conformity with the provisions of the Turkish Commercial Code and the Capital Market Law and other relevant legislation in exchange for an admission card which indicates the amount and serial numbers of their shares. However, the right of the holders of registered shares included in the share book, to directly participate in the General Meeting of Shareholders, is reserved.</p> <p>If a quorum is not present at the first meeting, admission cards shall be valid for the second meeting, too.</p>	<p>SECTION VI: ACCOUNTS AND DISTRIBUTION OF THE PROFIT</p> <p>Fiscal Year: Article 45</p> <p>The Bank's accounting year shall commence on the first day of January and end on the last day of December.</p>
<p>List of Shareholders: Article 46</p> <p>A list showing the shareholders and shareholders' representatives who intend to be present at general meetings shall be prepared and authenticated by the Board of Directors. This list shall show the first names and surnames of those concerned, along with the amounts of their shares and, prior to the meeting, it shall be posted in a position where it can be seen by shareholders; a copy of the list shall also be given to the Secretary of the Meeting to which it relates.</p>	<p>Balance Sheet and Profit and Loss Accounts: Article 46</p> <p>Financial tables, consolidated financial tables, annual activity report of the Board of Directors, audit reports and profit distribution suggestion of the Board of Directors should be issued and made available at least 3 weeks before the General Assembly meeting at the headquarters and branches of the Bank for the examination of the shareholders. The financial and consolidated tables drawn shall be available for information and examination of shareholders at the headquarters and branches of the Bank for one year. The provisions of Article 437 of the Turkish Commercial Code are reserved.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p><b>Chairman of General Meetings of Shareholders: Article 47</b></p> <p>The Chairman of the Board of Directors shall preside at general meetings of shareholders. In the absence of the Chairman, his place shall be taken by the Deputy Chairman. In the absence of both, the shareholders present shall elect a Chairman of the meeting from among their number.</p> <p>The Chairman's duties shall be to maintain due order and regularity of discussions and to ensure that minutes of the meeting are kept in conformity with the law and the Bank's Statutes.</p> <p>The collection of votes shall be entrusted to the two shareholders present who hold the most shares. Should they decline this duty, the two holding the next largest number of shares shall be appointed and this procedure shall be continued until two shareholders accept the duty of vote collection.</p> <p>The Secretary of each general meeting of shareholders shall be chosen by the Chairman and those entrusted with the collection of votes, either from among the shareholders present or from non-shareholders.</p> <p>A list of the shareholders or their proxies actually present at each general meeting shall be prepared and this will show the names and addresses, the shares held and number of votes of each of those concerned. After its signature by all those present, the list shall be attached to the minutes and be made available to all concerned for inspection on request.</p>	<p><b>Distribution of Profit: Article 47</b></p> <p>The General Assembly, upon the suggestion of the Board of Directors shall resolve the matters regarding distribution of the profit in accordance with various articles of the Turkish Commercial Code, Capital Market Law and other applicable codes.</p> <p>a) Out of this net profit; 5% up to 20% of the issued capital may be reserved as legal reserve fund and after the legal upper limit is reached, amounts indicated in a) and b) of paragraph 2 of Article 519 of the Turkish Commercial Code may be added to the legal reserve fund.</p> <p>b) First dividends shall be reserved from the remaining amount according to the capital market code.</p> <p>c) If the Bank has acquired its own shares, it shall set aside a reserve fund equal to the acquisition values according to Article 520 of the Turkish Commercial Code.</p> <p>d) After the reserve funds and the first dividends are set aside as indicated above, out of the remaining net profit;</p> <p style="padding-left: 40px;">5% shall be reserved for the founders' shares (limited to 200 thousand Turkish Lira of the paid up capital) Up to 0.5 for the members of the Board of Directors, Up to 3% and provided not to exceed the equivalent of three salaries, for the employees upon the suggestion of the Board of Directors and approval of the General Assembly.</p> <p>e) The General Assembly shall be authorized to decide on whether the amount remaining from the net profit after the reserve funds and payments indicated in paragraphs (a), (b), (c) above shall be completely or partially distributed as dividends or reserved as a reserve fund.</p> <p>f) 10% of the total amount to be distributed to people who benefit from shares out of profit in line with c) of the 2nd paragraph of Article 519 of the Turkish Commercial Code shall be added to the legal reserve fund.</p> <p>Dividends to be distributed to shareholders cannot be determined until noncompulsory reserve funds as set by the laws and the Articles of Association are set aside.</p> <p>Provided that the procedures and principles indicated in the Banking Code and the Capital Market Code are followed, dividends may be distributed in advance.</p>
<p><b>Proceedings and Minutes: Article 48</b></p> <p>Minutes of all general meetings of shareholders shall be kept and the validity of any resolution adopted by the meeting shall depend upon its inclusion in the minutes. These latter shall include details of all resolutions put to the meeting, whether or not they were adopted and the grounds of objection of dissenting shareholders.</p> <p>The minutes shall be signed by the shareholders and by the Ministry of Industry and Trade's Commissary attending the meeting. However, with the authorization of the shareholders present, the minutes may be signed by the Chairman and those appointed to collect votes.</p> <p>The documents attesting to the fact that the meeting was convened in conformity with the relevant regulations shall be attached to the minutes or their contents entered in the minutes themselves. The Board of Directors shall be responsible for ensuring that the completed minutes, together with a certified copy thereof, be registered and published in accordance with the requirements of the Turkish Commercial Code.</p>	<p><b>Use of Legal and Extraordinary Reserves: Article 48</b></p> <p>The reserve funds referred to in paragraph (3) of Article 519 of the Turkish Commercial Code, above, shall be assigned as cover for the Bank's possible future losses.</p> <p>The use of extraordinary reserve funds shall be freely determined by the General Assembly. In the event that, in any one accounting year, the Bank's net profit is insufficient to allow for the distribution of a dividend to shareholders, the extraordinary reserve fund may be used for this purpose.</p>



OLD VERSION	NEW VERSION
<p>Majority Vote for Resolutions: Article 49</p> <p>Except in those special cases provided for in the Turkish Commercial Code, resolutions shall be adopted at general meetings by the absolute majority of those present, either in person or by proxy. Shareholders are debarred from exercising their voting rights in those matters concerning themselves.</p> <p>Should there be no majority in the election of the Board of Directors, a second ballot shall be held and those receiving the largest number of votes shall be elected. In the event of a tied vote or votes, the outcome shall be decided by the drawing of lots.</p>	<p>SECTION VII: DISSOLUTION OF THE COMPANY</p> <p>Liquidation: Article 49</p> <p>The dissolution and liquidation of the Bank's affairs shall be carried out in accordance with the provisions of the Turkish Commercial Code, the Capital Market Code, the Banking Act and other related codes. If the Bank is liquidated for any other reason except for bankruptcy, liquidation procedures shall be carried out by the Board of Directors until a liquidator is elected by the General Assembly. Two or more liquidators shall be designated and elected by the General Assembly if it is required.</p> <p>The liquidators shall take over the Bank's securities, general property and real estate and carry out the liquidation transactions thereof in accordance with the provisions of related laws. Unless otherwise resolved by the General Assembly, the liquidators shall act jointly and shall be empowered to sign on behalf of the Bank in liquidation.</p>
<p>Amendment of Statutes: Article 50</p> <p>The provisions of Article 388 of the Turkish Commercial Code shall be applied in so far as quorums at general meetings convened for the discussion and resolution of amendments to the Statutes are concerned. Resolutions thus adopted shall be effective after registration and publication in the Trade Registry.</p> <p>Article 386 of the Turkish Commercial Code, the Capital Market Law and relevant rulings thereon shall be complied with in so far as all amendments to the Statutes are concerned.</p>	<p>Results of Liquidation: Article 50</p> <p>The assets remaining after debts and other payables of the liquidated bank are paid shall be distributed according to shares and privileges of the shareholders.</p>
<p>Voting Procedure: Article 51</p> <p>Votes at shareholders' meetings shall be registered by a show of hands. However, a secret vote shall be taken in the event that shareholders representing at least one-tenth of the share capital present at the meeting should so resolve. The arrangements of the Capital Market Board regarding the voting by proxy, are reserved.</p>	<p>SECTION VIII: MISCELLANEOUS PROVISIONS</p> <p>Ownership and Mortgage of Real Estate: Article 51</p> <p>The Bank may establish and exercise all kinds of rights on real estate, may acquire, own, transfer, sell and exchange all kinds of real estate and the right of property. The Bank may exercise all kinds of rights on real estate owned by it. The third persons may establish mortgages and exercise other rights on the real estate in favor of the Bank.</p>
<p>Delivery of Documents to the Ministry of Industry and Trade: Article 52</p> <p>Copies in the number deemed sufficient, of each of the Directors' and Auditors' reports, the balance sheet, the minutes of the general meeting and of the list indicating the names and holdings of each shareholder present at the annual general meeting of shareholders shall be sent to the Ministry of Industry and Trade within one month from the date of the last day of the meeting, to other official bodies concerned and shall be handed to the Ministry of Industry and Trade's Commissary attending the meeting.</p>	<p>Officials' Obligations: Article 52</p> <p>No manager, employee or subordinate employee may disclose in any manner whatsoever any secret or other information concerning the Bank and any person who has a business relationship with the Bank. Anyone making such a disclosure shall be dismissed from the Bank.</p> <p>In the absence of the permission of the Board of Directors, none of the Bank's employees may accept or undertake any other office or post; neither may they accept any position in an ordinary or limited partnership.</p>
<p>SECTION VI: ACCOUNTS AND DISTRIBUTION OF DIVIDEND</p> <p>Accounting Year: Article 53</p> <p>The Bank's accounting year shall commence on January 1 and end on December 31. Exceptionally, the Bank's first accounting year shall begin on the date of its incorporation and end on December 31 of the respective year.</p>	<p>Announcements: Article 53</p> <p>The notices required in connection with the registered matters shall be published in the Bulletin of Turkish Trade Registry and other announcements shall be published on the website of the Bank according to the Turkish Commercial Code, the Capital Market Code, the Banking Act.</p> <p>The meeting date, hour, place and agenda of the General Assembly shall be announced on Bank's website and the shareholders shall be called to the meeting with an announcement published on the Bulletin of Turkish Trade Register. This invitation shall be made at least three weeks before the General Assembly; the announcement and meetings days excluded.</p> <p>Announcement for reduction of the capital and liquidation of the company shall be carried out according to Articles 474 and 541 of the Turkish Commercial Code.</p> <p>All other notice, registration and announcement provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Act are reserved.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
<p>Balance Sheet and Profit and Loss Account: Article 54</p> <p>A balance sheet and a profit and loss account shall be drawn up at the end of each accounting year. Copies of the balance sheet, profit and loss account and of the auditors' report relevant thereto shall be made available to shareholders on request at the Bank's Head Office fifteen days prior to the general meetings of shareholders.</p> <p>The financial statements to be drawn up upon the request of the Capital Market Board and in case of independent auditing, the independent auditors' report, shall be submitted to the Capital Market Board and be announced to public in accordance with the rules and procedures to be determined by the Capital Market Board.</p>	<p>Applicable Laws: Article 54</p> <p>The provisions of the Turkish Commercial Code, the Capital Market Code and the Banking Act shall apply for matters not indicated and administered by the Articles of Association.</p>
<p>Distribution of Dividend: Article 55</p> <p>The Bank's net profit arising from each year's operations, determined after deduction of all general expenses, including premiums and bonuses to its staff and personnel, the amount of possible depreciation, provisions and appropriations, shall in part be set aside as reserves and in part distributed, in the manner and at the rates indicated below:</p> <p>a) 1- 5 % as legal reserves, 2- 5 % as loss contingency reserve.</p> <p>b) From the balance of the net profit remaining after the reserve funds specified in paragraph (a) above have been set aside, an amount equal to 6 % of the Bank's paid-in share capital shall be distributed to shareholders as a "first dividend."</p> <p>c) From the net profit remaining after the provisions are set aside for the reserve funds and the "first dividend" specified in paragraphs as at (a) and (b) above, the following allocations and distributions shall be made: 5% to the founder's shares (limited by a portion of 200 New Turkish Liras of the paid-in capital), up to 0.5% to the Board of Directors members, up to 3% and in such an amount to not exceed three months salary to the employees upon the proposal of the Board of Directors and approval of the General Assembly.</p> <p>d) After the provisions are set aside in accordance with paragraphs (a), (b) and (c) above, a second dividend on the Bank's paid-in share capital may be distributed to the shareholders upon the proposal of the Board of Directors and by the resolution of the general meeting of shareholders stating the amount to be so distributed.</p> <p>After allocations have been made in accordance with the provisions stated above, the balance of the Bank's net profit for the year shall be transferred to the contingency reserve fund. The provisions of Article 466/3 of the Turkish Commercial Code and the relevant provisions of the Capital Market Law are reserved.</p>	<p>Corporate Governance Principles: Article 55</p> <p>The Bank has to comply with the Corporate Governance Principles, which are made obligatory by the Capital Market Board. Transactions made and the resolutions of the Board of Directors passed by not observing these principles shall not be valid and enforcing and shall be deemed as conflicting with the Articles of Association.</p> <p>In transactions considered as important for the application of the Corporate Governance Principles and which are otherwise important with regards to the relation of the Bank with other associated parties, the regulations of corporate governance of the Capital Market Board shall be observed and applied.</p>
<p>Use of Legal and Extraordinary Reserves: Article 56</p> <p>The reserve funds referred to in the first and second subsections of paragraph (a) of Article 55 above, shall be assigned as cover for the Bank's possible future losses.</p> <p>The use of contingency reserve funds shall be freely determined by the general meeting of shareholders. In the event that, in any one accounting year, the Bank's net profit is insufficient to allow for the distribution of a dividend to shareholders, the contingency reserve fund may be used for this purpose.</p>	<p>This article is arranged in the Article 48 of the new Articles of Association.</p>
<p>SECTION VII: DISSOLUTION OF THE COMPANY</p> <p>Dissolution: Article 57</p> <p>If, for any reason, it should become necessary to dissolve and wind up the Bank's affairs, this must be resolved by an extraordinary general meeting of shareholders. The formalities to be completed and action to be taken after dissolution, shall be as is provided for in the Turkish Commercial Code.</p>	<p>This article is arranged in the Article 49 of the new Articles of Association.</p>

OLD VERSION	NEW VERSION
<p>Liquidation: Article 58</p> <p>Liquidation of the Bank's affairs shall be undertaken by two or more liquidators, who shall be designated and elected by a general meeting of shareholders.</p> <p>The liquidators shall take over the Bank's securities, general property and real estate and carry out the liquidation thereof in accordance with the provisions of the law. Unless otherwise resolved by the general meeting of shareholders, the liquidators shall act jointly and shall be empowered to sign on behalf of the Bank in liquidation.</p>	<p>This article is arranged in the Article 49 of the new Articles of Association.</p>
<p>Proceeds of Liquidation: Article 59</p> <p>Following the settlement of the dissolved Bank's debts and commitments, and one year after issue of the third notice of dissolution, the balance of the moneys and reserve funds shall be distributed to the shareholders in proportion to the number of their shares.</p>	<p>This article is arranged in the Article 50 of the new Articles of Association.</p>
<p>SECTION VIII: MISCELLANEOUS PROVISIONS</p> <p>Ownership and Mortgage of Real Estate: Article 60</p> <p>The Bank may establish and exercise all kinds of rights on real estate, may acquire, own, transfer, sell and exchange all kinds of real estate and the right of property. The Bank may exercise all kinds of rights on real estate owned by itself. The third persons may establish mortgages and exercise other rights on the real estate to the benefit of the Bank.</p>	<p>This article is arranged in the Article 51 of the new Articles of Association.</p>
<p>Officials' Obligations: Article 61</p> <p>No manager, employee or subordinate employee may disclose in any manner whatsoever any secret or other information concerning the Bank and any person who has a business relationship with the Bank. Anyone making such a disclosure shall be dismissed from the Bank's employ.</p> <p>In the absence of the permission of the Board of Directors, none of the Bank's managers or employees may accept or undertake any other office, post or employment; neither may they accept any position in a partnership which involves them in unlimited liability.</p>	<p>This article is arranged in the Article 52 of the new Articles of Association.</p>
<p>Statistics: Article 62</p> <p>Statistical records of the Bank's business and operations for the respective year shall be compiled in accordance with a model supplied by the Department of Statistics. In case of request, information on the operations and transactions of the Bank shall be provided to the Ministry of Industry and Trade.</p> <p>A quarterly summary of the Bank's accounts drawn up in conformity with a standard form, shall be submitted to the Ministry of Finance and the Ministry of Industry and Trade.</p>	<p>This article is removed from the Articles of Association.</p>
<p>Announcements: Article 63</p> <p>The notices required in connection with the application of the Statutes shall be published in the Trade Registry Gazette of Turkey and, if the Board of Directors should so decide, in a daily newspaper published in the locality in which the Bank's Head Office is situated. The provisions of Article 37 of the Turkish Commercial Code and relevant regulations and rulings of the Capital Market Board are reserved.</p>	<p>This article is arranged in the Article 53 of the new Articles of Association.</p>
<p>Governing Laws: Article 64</p> <p>In all matters not specifically provided for in the Statutes, the provisions of the Turkish Commercial Code, Banking Act and the Capital Market Law and other legislation shall be applied.</p>	<p>This article is arranged in the Article 54 of the new Articles of Association.</p>

## Amendment for the Articles of Association

OLD VERSION	NEW VERSION
Provisional Article 1: Unless and until the holders of bearer shares exchange their shares with registered shares, they shall be debarred to exercise all their partnership rights except that of regarding the share of profit (dividend).	This article is removed from the Articles of Association.
Provisional Article 2: The share certificates consisting of five shares with a par value of TL 100 or their folds may be exchanged with registered shares of a par value of TL 500 or their folds.	This article is removed from the Articles of Association.
<p>Provisional Article 3: The nominal values of the shares have been changed as 1 YKr (New Kuruş) while it was 100 TL and 500 TL, pursuant to the Law amending Turkish Commercial Code with the number 5274. Since the total number of shares have been decreased as a result of this change, a share of 1 YKr will be given for each share of 10,000 TL (100 shares of a nominal value of 100 TL, 20 shares of a nominal value of 500 TL). Fraction receipts will be issued for the shares which cannot be added up to 1 YKr.</p> <p>The share certificates of 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th and 18th classes representing Bank's current capital of 142.500.000 YTL will be unified as the 19th class, in accordance with the changes. The rights of the shareholders, originating from the shares, they posses are reserved, in connection with the unification of shares and share classes,</p> <p>The change of the share certificates process shall be started by the Board of Directors, after the regulations regarding the registration of the capital market instruments, has put in effect.</p>	This article is removed from the Articles of Association.

## Important Developments with respect to Company's Operations

### **Explanations with respect to private and public audits carried out during the accounting period:**

No private or public audits were undertaken during the accounting period.

### **Explanations with respect to administrative or legal sanctions imposed on the Company and members of the Board and Management due to acts and procedures in violation of the codes:**

Please refer to section 5 – (III/4) of the Audit Report for information on court cases.

### **Subsidiary transactions:**

Information regarding the subsidiary transactions of our Bank is indicated in the footnotes of the audit reports. The results section of the Subsidiary Report for 2013 issued in accordance with Article 199 of the Turkish Commercial Code no. 6102 is as stated below:

"There are no legal transactions executed in favor of our Bank and its main shareholder Türkiye İş Bankası A.Ş. and its subsidiaries and with the guidance of our main shareholder's, in favor of our main shareholder and one of the subsidiary companies of our main shareholder and no measures taken or avoided to be taken for our Bank or our main shareholder or one of its subsidiaries.

Further, the commercial transactions and procedures carried out by our Bank and our main shareholder Türkiye İş Bankası A.Ş. and its subsidiaries, which have been stated and explained in detail on the aforementioned report are transactions required by the ordinary course of our Bank's business and activities and have been realized over imputed values currently available in the market and are in compliance with the principle stated in Article 202 of the Turkish Commercial Code that the main shareholder cannot use its authority and control in a manner that will harm and damage its subsidiaries.

There are no decisions passed against our Bank upon the request and claim of our main shareholder Türkiye İş Bankası A.Ş. and its subsidiaries or any damaging transactions."

## Independent Auditors' Compliance Opinion for the Annual Report



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 29  
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Internet www.kpmg.com.tr

### Annual Report Compliance Opinion

To the Shareholders of Türkiye Sınai Kalkınma Bankası Anonim Şirketi:

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye Sınai Kalkınma Bankası Anonim Şirketi ("the Bank") with the audited financial statements as of 31 December 2013. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on our audit.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in (Turkish) Banking Law No 5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report represents fairly, in all material respects, the information regarding the financial position of Türkiye Sınai Kalkınma Bankası Anonim Şirketi as of 31 December 2013 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Summary of Board of Directors' Report and Independent Auditors' Report issued by us is consistent with the audited financial statements and explanatory notes.

Istanbul, 3 March 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, SMMM  
*Partner*



## Information About Management and Corporate Governance Practices

## Board of Directors



**Adnan Bali**  
Chairman of the Board



**Mehmet Şencan**  
Vice Chairman of the Board



**Özcan Türkakın**  
Board Member and CEO



**Prof. Dr. M. Baran Tuncer**  
Board Member



**Durmuş Yılmaz**  
Board Member



**E. Burhanettin Kantar**  
Board Member



**Murat Bilgiç**  
Board Member



**Kemal Serdar Dışlı**  
Board Member



**Uygur Şafak Ögün**  
Board Member



**Feridun Bilgin**  
Board Member



**Halil Aydoğan**  
Board Member

#### **Adnan Bali** **Chairman of the Board**

Adnan Bali was born in 1962 in İslahiye and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Mr. Bali started his professional career at İsbank's Board of Inspectors. Mr. Bali was appointed as Deputy Manager, Unit Manager and Department Head at Treasury Department respectively. He was positioned as Şişli Branch Manager, Galata Branch Manager and Deputy Chief Executive Officer. Then he was appointed as the Chief Executive Officer of İsbank in April 1, 2011. Mr. Bali has been a member of TSKB's Board of Directors since April 15, 2011 and the Chairman of the Board of Directors since April 21, 2011.

#### **Mehmet Şencan** **Vice Chairman of the Board**

Mehmet Şencan was born in Adapazarı in 1964 and graduated from Management Engineering in İstanbul Technical University. He started his professional career at İsbank Galata Branch as officer and joined İsbank's Board of Inspectors. With the title of Financial Analyst and Foreign Exchange Officer, Mr. Şencan appointed to Bursa Branch as Deputy Manager while he has IV. degree inspector title in 1997, then served as Branch Manager at various cities. In 2011, he was appointed as the Başkent Corporate Branch Manager. Mr. Şencan has been a member of TSKB's Board of Directors since June 13, 2011.

#### **Özcan Türkakin** **Board Member and CEO**

Özcan Türkakin was born in Afyon in 1958. After having been graduated from the Department of Economics at the Faculty of Administrative Sciences of Boğaziçi University, he received a master's degree from the same department. He joined İsbank in 1984 as an Assistant Economics Specialist in the Department of Economic Research and Planning. Mr. Özcan Türkakin was promoted as Assistant Manager of the Bank's Capital Markets Department in 1992 and as Group Manager in 1995. Between 1996 and 2002, he was positioned as the General Manager of Is Investment Company. Between 2002 and 2013 he served as the Deputy Chief Executive of İsbank. Mr. Türkakin has been a member of TSKB's Board of Directors and the Bank's CEO since January 31, 2013.

#### **Prof. Dr. M. Baran Tuncer** **Board Member**

M. Baran Tuncer was born in Bayburt in 1934 and graduated from the Faculty of Political Sciences, Ankara University. He completed a master's degree at the University of Kansas, doctorate degree at the Faculty of Political Sciences, Ankara University. He also studied at the University of California. In 1976, he became a professor in Economics. He continued his academic career in Ankara and Boğaziçi Universities, while he was lecturing at the Middle East Technical University, the Hacettepe University and the İstanbul Bilgi University. Apart from Turkey, Mr. Tuncer worked at the University of Yale and the University of Minnesota in the USA as a researcher and guest lecturer. In 1960s, he served as the President of Economic Planning Bureau in the State Planning Organization, and he worked as a Board Member in the Customs and the Excise Ministry in 1974 and also in Eczacıbaşı Holding in 1970s. He had worked in the World Bank for 15 years since 1980 in East Africa, Southeast Asia and Latin America divisions. In 1995 before he left the Bank, he was the Chief Economist for the Central American countries. Later he temporarily served as consultant in India, Russia, Kazakhstan and Azerbaijan. He still serves as Vice Chairman at Turkish Family Health & Planning Foundation. He was the Vice Chairman of İsbank's Board of Directors since 2005, where he was a Board Member between 2002 and 2008. Mr. Tuncer has been a member of the TSKB's Board of Directors since April 30, 2008.

#### **Durmuş Yılmaz** **Board Member**

Durmuş Yılmaz was born in Uşak in 1947. After having three years education at the Faculty of Law, Ankara University, he went to England in 1970 to study economics on behalf of the Ministry of Trade with a scholarship of Ministry of National Education. He had a bachelor's degree in economics at City University of London, and a master's degree at University of London. After coming back to Turkey, he started working for the Ministry of Trade. Then he started serving for the Foreign Exchange Department of the Central Bank of the Republic of Turkey in 1980, and worked in the areas of Foreign Debt Rescheduling, Exchange Rate and Foreign Exchange Reserve Management. Between 1993 and 2003, Mr. Yılmaz served as Deputy Director of Foreign Exchange Transactions Division, Director of Interbank Money Markets Division, Director of Balance of Payments Division, Deputy Executive Director of Markets Department responsible for the Foreign Exchange Risk Management-Credits-Foreign Exchange and Banknotes Markets and Open Market Operations Divisions. He was appointed to Executive Director of Workers' Remittances. Mr. Yılmaz became the member of the Bank's Board after the General Assembly held on April 7, 2000. He was appointed as the Governor of the Central Bank of the Republic of Turkey on April 18, 2006. He completed five years term on April, 2011, and was assigned to the Chief Consultant for the Economy at the Presidency of the Republic of Turkey on April 20, 2011. Mr. Yılmaz has been a member of the TSKB's Board of Directors since March 26, 2012.

#### **E. Burhanettin Kantar** **Board Member**

Burhanettin Kantar was born in Trabzon in 1963 and graduated from the Public Administration Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. He began his professional career at İsbank as an Assistant Inspector on the Board of Inspectors in 1988. Mr. Kantar was appointed as the Assistant Manager in the Participations Department in 1997. In May 2005, he was appointed as Manager in the same department where he has been serving as Group Manager. Mr. Kantar has been a member of TSKB's Board of Directors since March 23, 2005.

#### **Murat Bilgiç** **Board Member**

Murat Bilgiç was born in Ankara in 1968 and graduated from the International Relations Department of the Faculty of Economics and Administrative Sciences, Middle East Technical University. Then, he completed a master's degree in banking area at the University of Birmingham. He joined İsbank in 1990 as an Assistant Inspector. In 2002, after serving in various positions at the bank, he became the Regional Manager in the Corporate Loans Department. Since 2008, he has been working as the Manager of the Corporate Loans Department. Mr. Bilgiç has been a member of TSKB's Board of Directors since March 23, 2005.

#### **Kemal Serdar Dışlı** **Board Member**

Kemal Serdar Dışlı who was born in Şanlıurfa in 1964 was graduated from the Public Administration Department of the Faculty of Economics and Administrative Sciences, Hacettepe University. He began his professional career as officer at İsbank in 1988 and appointed as Assistant Inspector in the same year. Between the years 1988-2002 he served as Deputy Manager and Group Manager at Accounting and Financial Operations, between 2002-2009 he served as Region Manager, Branch Manager and Group Manager at Marmara Region Directorate, Bursa Branch and Corporate Banking & Marketing Department respectively. Mr. Dışlı still serves as the Manager of Maslak Corporate Branch and has been a member of TSKB's Board of Directors since May 25, 2007.

#### **Uygur Şafak Ögün** **Board Member**

Uygur Şafak Ögün was born in Ankara in 1974 and graduated from the Business Administration Department, Bilkent University in 1995. In the same year, he started his professional career at İsbank in the Board of Inspectors. In 2002, Mr. Ögün completed his master's degree in International Banking and Finance area at the University of Birmingham. He continued his career at İsbank as the Deputy Manager of the Directorate of Corporate Marketing in 2005 and was appointed as the Deputy Manager of the Board of Inspectors in 2007. Mr. Ögün was appointed as the Corporate Banking Sales Manager in 2008. Since September 29, 2009, he has been positioned as Corporate Banking Marketing and Sales Manager. Mr. Ögün has been a member of the Board of Directors of TSKB since April 2, 2010.

#### **Feridun Bilgin** **Board Member**

Feridun Bilgin was born in Sivas in 1964 and graduated from Department of Electrical and Electronics Engineering of İstanbul Technical University. Mr. Bilgin, who studied his masters degree between 1985-1987 at Institute of Science and Technology of Yıldız Technical University, started his professional career as Assistant Specialist at the State Planning Organization in 1986. In 1991, he was appointed as the Planning Specialist. At the same year, he started to work for the Turkish Republic Undersecretariat of Treasury and Foreign Trade as a Branch Manager. Between 1996 and 1999, he served as an Undersecretary of Economy at the Skopje Embassy. Mr. Bilgin was appointed as Deputy General Manager of General Directorate of Incentives Implementation at the Turkish Republic Treasury in 2003. In 2007, he was appointed as the General Manager of the General Directorate of Incentives Implementation at the Turkish Republic Treasury. Feridun Bilgin served as a member of the Board of Directors at several companies between 2002 and 2012. Since 2010, Mr. Bilgin has been positioned as the Deputy Secretary of Treasury. He has served as the Member of Technology Development Foundation of Turkey since 2004, and as a Statutory Auditor at T.C. Ziraat Bankası since 2012. He is a member of the Board of Directors of TSKB since September 12, 2012.

#### **Halil Aydoğan** **Board Member**

Halil Aydoğan was born in Afyonkarahisar in 1950 and graduated from İstanbul University Department of Economics. He joined Vakıfbank in 1977 and has worked in various departments and positions. Between 1996-1999, Mr. Aydoğan worked as Assistant General Manager of Vakıfbank and between 1999-2000 as General Manager of Vakıf Financial Leasing. Mr. Aydoğan was elected as a member of Parliament twice during the 22nd and 23rd terms of Turkish Grand National Assembly. Mr. Aydoğan served as Vakıfbank's Chairman between January 2012 and March 2013 and was appointed to General Manager of Vakıfbank on March 29, 2013. Since December 20, 2013, Mr. Aydoğan has been a board member of TSKB's Board of Directors.

## Senior Management



#### 1 - Özcan Türkakin Board Member and CEO

Özcan Türkakin was born in Afyon in 1958. After having been graduated from the Department of Economics at the Faculty of Administrative Sciences of Boğaziçi University, he received a master's degree from the same department. He joined Isbank in 1984 as an Assistant Economics Specialist in the Department of Economic Research and Planning. Mr. Özcan Türkakin was promoted as Assistant Manager of the Bank's Capital Markets Department in 1992 and as Group Manager in 1995. Between 1996 and 2002, he was positioned as the General Manager of Is Investment Company. Between 2002 and 2013 he served as the Deputy Chief Executive of Isbank. Mr. Türkakin has been a member of TSKB's Board of Directors and the Bank's CEO since January 31, 2013.

#### 2 - Orhan Beşkök Senior Executive Vice President

Orhan Beşkök was born in Ankara in 1955 and graduated from Department of Economics, the Central London Polytechnic University. Mr. Beşkök completed his master's degree in economics at London School of Economics. After serving in various positions at TSKB, he was appointed as the Head of the Economic Analysis Department in 1995. Mr. Beşkök was appointed as an Executive Vice President in 2002 and is currently responsible for the Financial Analysis, Economics, Financial Institutions and Engineering Departments. Mr. Beşkök was promoted to Senior Executive Vice President on January 1, 2011.

#### 3 - Burak Akgüç Executive Vice President

Burak Akgüç was born in Istanbul in 1964 and graduated from the Department of Political Science, Boğaziçi University. Mr. Akgüç joined TSKB in 1991 as a Specialist in the Financial Analysis Department. After serving in a variety of positions, he was appointed as the Head of the Loan and Investment Department in 2001. He was promoted to the Executive Vice President in 2005 and is currently responsible for the Corporate Banking and Project Finance.

#### 4 - Ömer Eryılmaz Executive Vice President

Ömer Eryılmaz was born in Giresun in 1964 and graduated from the Faculty of Business Administration, Istanbul University. Mr. Eryılmaz began his professional career at Sınai Yatırım Bankası in 1986 and was appointed as the Manager of Financial Control Department in 1999 and the Head of Risk Management Department in 2002 at TSKB. Then, he was promoted to the Head of the Board of Inspectors in 2003. Mr. Eryılmaz was appointed as Executive Vice President in 2006 and is currently responsible for the Financial Control and Budget, Planning & Investor Relations Departments.

#### 5 - Çiğdem İçel Executive Vice President

Çiğdem İçel was born in Eskişehir in 1966 and graduated from the Department of Business Administration, Boğaziçi University. Ms. İçel began her professional career at TSKB as an Assistant Investment Advisor in the Treasury Department. After serving in a variety of positions, she was appointed as the Head of Treasury and Correspondent Banking Department in 1998. Çiğdem İçel was promoted to the Executive Vice President in 2006 responsible for the Operations Division, which includes Loan Operations and Treasury & Capital Markets Operations Departments. Ms. İçel is currently responsible for the Treasury and Human Resources Division which includes Treasury, Talent Management & Corporate Communication and Human Resources Departments.

#### 6 - Ufuk Bala Yücel Executive Vice President

Ufuk Bala Yücel was born in Istanbul in 1964 and is a graduate of the Department of Political Science, Boğaziçi University. Ms. Yücel began her professional career in 1987. After working in several banks, she joined TSKB as the Head of Loans Department in 2002. She was appointed as Group Manager in 2007 and as Executive Vice President in 2008. Ms. Yücel is currently responsible for the Loans Division.

#### 7 - Gökhan Çanakpınar Executive Vice President

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr. Çanakpınar began his professional career at İpekiş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at Isbank for six years. In 1995, he started serving as System Analyst at TSKB and appointed as the Head of Application Development Department in 2000. Mr. Çanakpınar promoted to Director of Information Technology Unit in 2011. Since January 10, 2012 he has been working as an Executive Vice President for Information Technology and Operations.

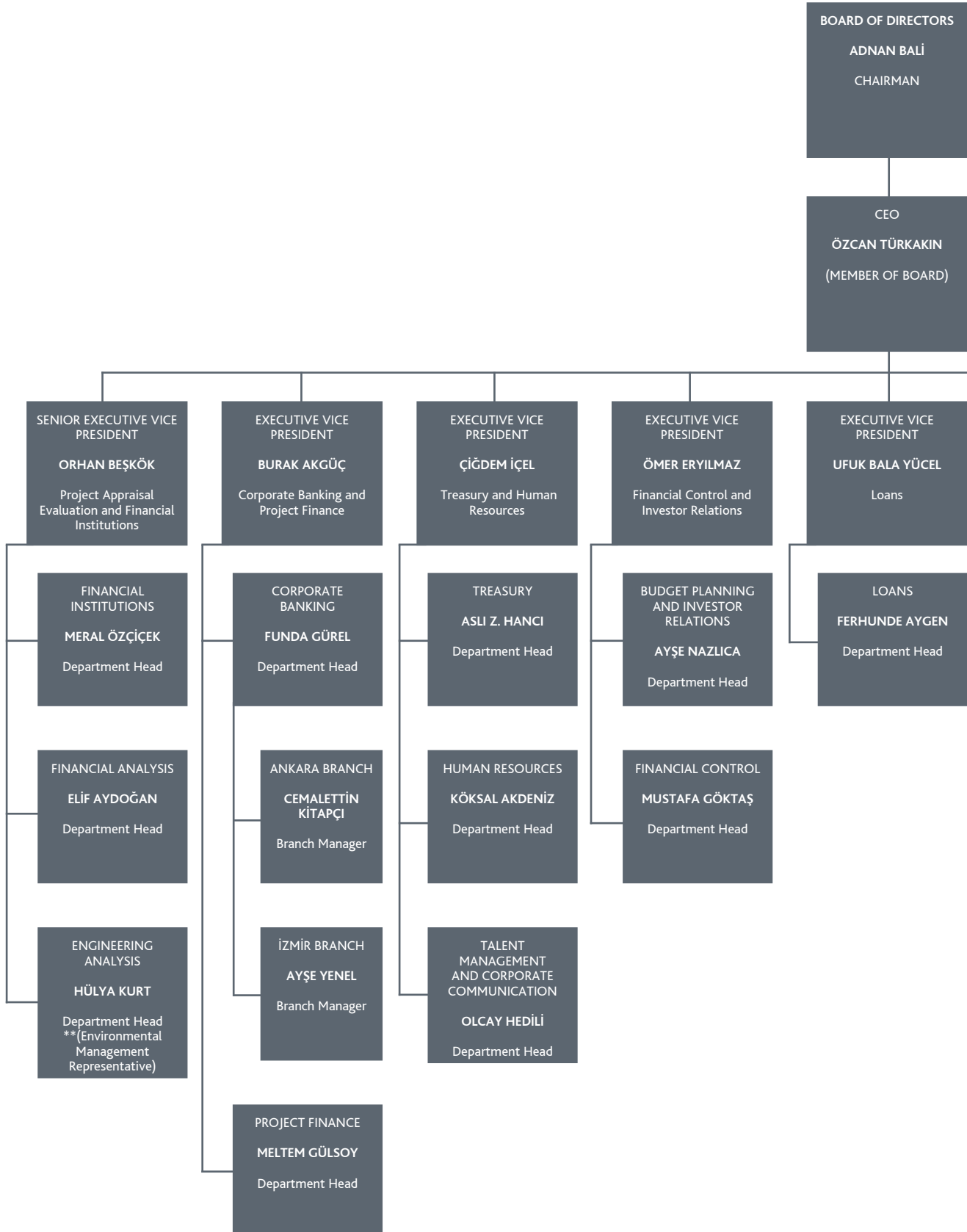
#### 8 - Ece Börü Executive Vice President

Ece Börü was born in Istanbul in 1966 and graduated from Management Engineering Department of Istanbul Technical University in 1988. Ms. Börü joined TSKB as an assistant specialist in Financial Control Department in 1989. She was promoted to Head of Financial Control in 2000 and to Head of Board of Internal Auditors in 2006. Since November 28, 2013, Ms. Börü has been serving as the Executive Vice President for Enterprise Architecture.

#### 9 - Hakan Aygen Executive Vice President

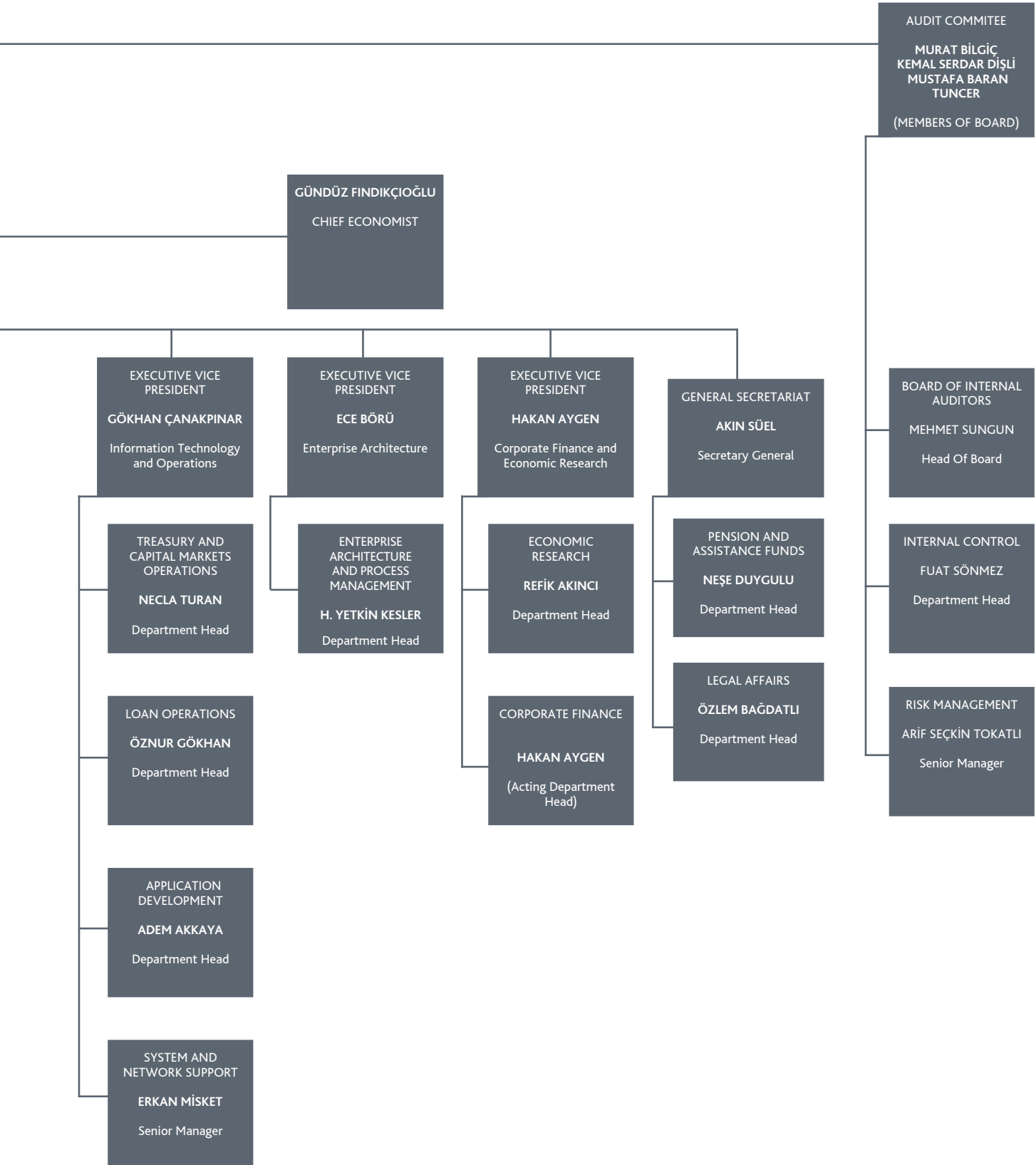
Hakan Aygen was born in Konya in 1965 and graduated from Management Engineering Department of Istanbul Technical University. Mr. Aygen started his professional career in non-financial sector in 1989. He joined TSKB in 1995 as an assistant specialist in the Financial Analysis Department and completed his master's degree on Management and Organization at the Marmara University in 1996. Mr. Aygen was appointed to Head of Corporate Finance Department in 2006 and promoted to Group Head in 2011. Having received his Accounting Finance doctorate degree from Marmara University in 2013, he was promoted to Executive Vice President for Corporate Finance and Research in November 28, 2013.

## Organization Chart\*



\*\*As of January 01, 2014.

\*\*Environmental Management Representative is directly reporting to CEO.





## Activities of Committees Formed for Risk Management Purposes & Names and Surnames of the Chairmen and Members Serving in These Committees and of the Members of the Audit Committee

### Audit Committee

The Audit Committee consists of 3 members, all of whom have been selected from the non-executive Board members. The current members of the Audit Committee are Mr. Murat Bilgiç, Mr. Kemal Serdar Dişli and Mr. Mustafa Baran Tuncer.

The Audit Committee is responsible for the following tasks;

- Establishing the internal audit, internal control and risk management systems in compliance with related regulations, ensuring that they function effectively and sufficiently,
- Assisting the Board of Directors during appointment and assessment of external auditors and monitoring the appointed auditor's activities on a regular basis,
- Ensuring that the internal audit functions of subsidiaries are coordinated in line with regulations and on a consolidated basis,
- Reporting to the Board of Directors that the internal audit, risk management, internal control units and the external auditors operate within the framework of the related regulations and informing the Board about any issues or incidents that could have an adverse impact on the continuity or soundness of the Bank's activities,
- If necessary, gathering information and related documents from all units of the Bank, support service contractors and independent auditors; and being subject to Board approval obtaining consultancy services,
- Assessing the internal audit report which is prepared by authorized internal auditors at 3-month intervals; and then submitting the mentioned report to the Board of Directors according to the Banking Law number 5411, 29th clause, 2nd item.

In 2013, the Audit Committee held 41 meetings.

### Managers of Internal Systems

#### Head of Board of Internal Auditors: Mehmet Sungun

Term of Office	Total Work Experience	Previous Responsibilities	Academic Background
1 Month	20.5 Years	Financial Analysis, Loans, Corporate Banking, Risk Management	M.A. Degree from a Domestic University

#### Head of Internal Control: Fuat Sönmez

Term of Office	Total Work Experience	Previous Responsibilities	Academic Background
1 Month	15 Years	System Development and Quality Management, Board of Internal Auditors, Process Management	B.A. Degree from a Domestic University

#### Senior Manager of Risk Management: Arif Seçkin Tokatlı

Term of Office	Total Work Experience	Previous Responsibilities	Academic Background
8 Years	17 Years	Risk Management	Phd Degree from a Domestic University

## Summarized Board of Directors Report

Our Esteemed Shareholder;

Welcome to the 64th Annual General Assembly Meeting of our Bank.

We hereby welcome our shareholders, their proxies and other valuable guests who very kindly attended our meeting. We submit the Board of Directors and Auditors' Reports and profit and loss statements for the 2013 accounting period to your examination and approval.

2013 was a year of two unique periods in terms of financial markets. In the first half of the year which was dominated by the second investment grade expectations, capital inflows to Turkey accelerated and historical low levels were observed at benchmark interest rates. At the last days of May, Fed's tapering announcement and the start of gradual tapering afterwards led to capital outflows and local currency depreciation in emerging countries. Due to these circumstances, Central Bank of Turkey has taken additional tightening measures. On the other hand, positive signals from improving macroeconomic indicators point to economic recovery for developed countries. If the capital flows are managed successfully and financial stability is sustained, Turkey is able to generate an acceleration in foreign trade depending on the surge in foreign demand.

The Banking sector further reinforced its financial structure in 2013 with various tightening measures and regulations passed by the regulatory authorities. As of December 2013, the total size of the assets of the banking sector was around TL 1.7 trillion and the credit stock reached TL 1 trillion with a 24% foreign currency adjusted annual growth. Non-performing loans ratio, which was around 2.9% last year declined to 2.7% by December 2013. The securities portfolio was around TL 287 billion as of December 2013. The shareholders' equities of the banking sector grew by 6.5% and reached TL 194 billion. The capital adequacy ratio of the sector as of December 2013 was 15.3%. Moreover, the total number of banks is still 49 as of 2013 year-end.

TSKB, which continued its steady and robust growth in 2013, compared to the previous year increased;

- Its equities by 7.4% to TL 1,884,684 thousand,
- Its credit stock by 33.1% to TL 9,176,760 thousand,
- Its total assets by 25.5% to TL 12,911,157 thousand,
- Its net profit by 6.1% to TL 326,057 thousand.

Our capital adequacy ratio as of 2013 year-end was 18.2%; return on equity was 17.9%, return on assets was 2.8% and our non-performing loans ratio was around 0.4%.

Our Esteemed Shareholders,

We hereby submit our annual report, which includes our operations in 2013, and our profit and loss statements to your examination and approval.

We would like to thank all our partners, employees and stakeholders for their contribution and support in achieving these results. We would like to thank you once more for attending our General Assembly Meeting.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

BOARD OF DIRECTORS

## Information Concerning Human Resources Practices

The main competitive advantage of TSKB is having qualified human resources. In this regard, TSKB differentiates and stands out with its employees' high education level, professional expertise, working competency and experience in global markets. In addition to recruiting professionals for experienced positions, TSKB has adopted the approach of bringing out leaders from inside the Bank for years, and to that extent, it has continued to recruit new graduates in 2013. With the fourth TSKB Career Workshops, which was organized in 2013, university students from third and fourth grades and M.A. students were informed about development and investment banking activities. After these workshops, the appropriate candidates were recruited as MT (Management Trainee).

In order to contribute to the strategies and long-term targets of TSKB, a variable payment compliant with the Bank's ethical values and internal balances is allocated to personnel once in a year in the form of incentive bonus, bonus payment and premium. Total variable payment which was received by 143 employees in this respect amounted to TL 5,236,323 in 2013.

Two meetings have been organized with the participation of upper and middle level management in order to evaluate our performance in 2012. Having celebrated its 63rd year of service on June 2, TSKB carried on its efforts in the field of sustainable banking. In order to integrate sustainable banking into corporate philosophy and to be embraced by all employees, in-house trainings were arranged. Moreover, the employees were informed about the applications held in-house within the context of Environmental Management System which is an important part of Sustainable Banking, and updated on Emergency Action Plan. Trainings which are either legally compulsory or aiming compliance to regulations were realized in 2013. Pursuant to Occupational Safety and Health Law numbered 6331, basic occupational safety and health trainings have become obligatory for all employees. Accordingly, all employees of the Bank received "first aid", "ergonomics" and "occupational safety" trainings totaling to 8 hours per person.

In order to maintain the sustainability of human resources, training programs continued in 2013. A catalog of trainings was prepared focusing on the employees' competencies that are open to improvement. Those trainings were linked to performance management system and extended to the whole bank. In this context, the total number of competency development training hours per person reached 15.5 hours in 2013.

	Number of People	%
<b>Total Personnel</b>	<b>316</b>	<b>100</b>
Women	157	49.7
Men	159	50.3
<b>Average Length of Service (years)</b>	<b>9.2</b>	
Women	8.1	
Men	10.2	
<b>Average Age</b>	<b>36.4</b>	
Women	35.2	
Men	37.6	

Educational Status of Banking Personnel	Women	Men	Total
University	144	114	258
Other	9	4	13
<b>Grand Total</b>	<b>153</b>	<b>118</b>	<b>271</b>

Foreign Language Competency Among Banking Personnel	Women %	Men %	Total %
<b>Grand Total</b>	<b>87</b>	<b>91</b>	<b>87</b>

## Information on Areas of Activity in which Support Services were Procured and Persons and Organizations from which such Services Provided, Pursuant to Regulations Regarding Support Services Procured by Banks and Authorization of Support Services Organizations

The following services used by our Bank in the year 2013 fall into the scope of the Regulation on Procurement of Support Services for Banks, published on the date of 05.11.2011:

1. **Server Hosting Service for Emergency Services** received from İşnet Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.
2. **Maintenance and Updating Service for the Internet Site** received from Luckyeye Bilgisayar Tanıtım Hizmetleri Yayıncılık ve Ticaret A.Ş.
3. **Adaption of the Online Transaction Software (E-BROKER) to the Bank and Encryption Service** received from Matriks Bilgi Dağıtım Hizmetleri A.Ş.
4. **Risk-free Treasury Valuation System Service** received from Gantek Teknoloji Bilişim Çözümleri A.Ş. between January 1, 2013 and March 1, 2013 and from RiskAktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti. Between March 1, 2013 and December 31, 2013
5. Support services received from Matriks Bilgi Dağıtım Hizmetleri A.Ş. for **portfolio monitoring and transaction via mobile appliances and adaptation of the software to Bank.**

# Corporate Governance Principles Compliance Report

## 1. Corporate Governance Compliance Report

TSKB is subject to "Principles of Corporate Governance" which are obligatory to banks within the framework of Capital Markets Board (CMB) and banking regulations. According to the Bank's Articles of Association, transactions made and the resolutions of the Board of Directors passed by not observing the said obligatory principles shall be deemed as conflicting with the Articles of Association.

The Corporate Governance Compliance Report is prepared "Principles of Corporate Governance" published by Capital Markets Board (CMB) considering international and sectoral principles.

The amendments in the Articles of Association pursuant to Corporate Governance Principles and execution of aforementioned principles to the organizational structure of Board of Directors (BOD) were completed until the General Assembly which was held on March 26th 2013. Except for a limited number of non-obligatory matters which are stated below, full compliance has been ensured according to the "Principles of Corporate Governance" pursuant to CMB's Communique numbered Serial: IV No:56 dated December 30th 2011 which was amended by CMB's Communique numbered Serial: IV No:57 dated February 11th 2012, Communique numbered Serial: IV No:60 dated June 29th 2012, Communique numbered Serial: IV No:61 dated September 13th 2012, Communique numbered Serial: IV No:63 dated February 22th 2013 and Communique numbered Serial: IV No:64 dated April 6th 2013.

The bank's articles of association contain no provisions governing:

- Request to assign a special auditor as an individual right,
- The participation of stakeholders in the bank's management.

There have never been any conflicts of interest among stakeholders over the limited number of corporate governance principles that have so far not been implemented.

A determination and assessment of the level of the bank's compliance with corporate governance principles and opinions concerning the development of the level of compliance in terms of scope and nature are presented below.

## SECTION I - SHAREHOLDERS

### 2. Shareholder Relations Unit

According to the BOD decision taken at the meeting dated March 16, 2009; the Bank's General Secretary is appointed to act as 'shareholders relations unit', to display activity on the subject of usage of the rights of the Bank's shareholders and reporting to the Board of Directors and provide communication between the shareholders and the Board of Directors, complied with the CMB law of Serial IV, No: 41.

The shareholder relations unit is responsible for managing the exercise of shareholders' rights and for maintaining communication between shareholders and the Board of Directors. It plays a vital role in the protection and facilitation of exercise of the shareholders' rights.

The basic functions and duties of the Shareholder Relations Unit are the following:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the bank except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that General Assemblies are conducted in accordance with the requirements of current laws and regulations and of the bank's articles of association and other bylaws.
- Prepare the documents necessary for the use of shareholders at General Assemblies.
- Record the results of voting at General Assemblies and ensure that such results are reported to shareholders.
- Supervise and follow up on all issues related to public disclosures as required by law and the bank's public disclosure policy.

Moreover; Budget, Planning and Investor Relations Department coordinates the relations with international and domestic investors and analysts.

The name of the people responsible for Investor Relations in the aforementioned department and their contact details are presented below:

Name - Title	Phone Number	E-mail Address
Ayşe Nazlıca - Head of Budget, Planning and Investor Relations	+90 212 334 51 94	nazlicaa@tskb.com.tr
Özen Haliloğlu - Budget, Planning and Investor Relations Assistant Manager	+90 212 334 52 49	halilogluo@tskb.com.tr
Emre Kalelioğlu - Budget, Planning and Investor Relations Assistant Manager	+90 212 334 52 03	kalelioglue@tskb.com.tr

Over 100 information requests from shareholders via telephone and e-mail were received and all of them were responded during the year of 2013.

In the reporting period, the Bank's authorized representatives engaged in 151 informative meetings with the investment funds and analysts, at home and abroad. 13 of these meetings were teleconference meetings, 49 of them were held at the headquarters of TSKB and the rest 89 were held during the 10 road-show/conferences.

Two teleconferences in which Bank's financial and operational results of 2012 year end and 2013 first half was disclosed to the local and international shareholders and analysts. The average number of participants in these teleconferences was 25 people.

### **3. Shareholders' exercise of their right to obtain information**

Shareholders' requests for all information except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret are responded to. Requests for information received from shareholders are evaluated by employees who are well qualified experts of their area and every effort is made to respond to them, within the limits of trade secrecy and confidentiality, as quickly as possible and in such a way as to reflect the whole truth.

Announcements concerning issues that shareholders are frequently in need of and information about developments that might affect shareholders' exercise of their rights are published on the bank's corporate website ([www.tskb.com](http://www.tskb.com)).

According to the Turkish Commercial Code (TCC), minority shareholding interests have the right to demand that a General Assembly appoint a special auditor to examine specific concrete issues. No request for the appointment of a special auditor was made pursuant to TCC and Corporate Governance Principles by shareholders at the General Assembly in 2013.

Provision for the request to assign a special auditor is not arranged as an individual right under the bank's Articles of Association. In view of the fact that the appointment of a special auditor at the demand of a General Assembly is a requirement of law and that a demand to appoint a special auditor is one of the exceptions to the principle of being bound by a General Assembly agenda, Provision for the request to assign a special auditor is not determined as an individual right in the Articles of Association.

It is believed that all the information necessary for shareholders to satisfactorily exercise their rights is made available to them through the corporate website, annual reports, and special circumstance announcements as well as by responding to individual requests.

The bank announced 44 public disclosures between January 1st and December 31st 2013 as required by CMB regulations. There were no special circumstance announcements that were not made in due time or for which either CMB or ISE demanded additional information.

The shareholder relations unit is responsible for overseeing and following up on all issues related to public disclosure. The Investors, financial analysts, media representatives, etc who are in need of information about the bank are directed to the Investor Relations Unit. In addition;

- In line with the principle of transparency and in keeping with the accounting principles to which the bank adheres and with the truthful reporting of financial results, the public is continuously kept informed and up to date on:
- Developments that might have an impact on the value of the banks' capital market vehicles, without delay and within the periods of time prescribed by law,
- In situations in which a significant change takes place in the bank's financial standing and/or its activities or in which such a change is expected in the near future, all essential information is provided subject to the reservations made by laws and regulations,
- Any changes or developments subsequently emerging with respect to public announcements that the bank has already made.

Shareholders' requests for information about the legal and/or commercial relationships between the bank and private individuals and/or corporate entities that have a direct or indirect interest in the bank's capital, management, or audit are responded to within the framework of the bank's public disclosure policy.

For the purpose of increasing the ability of shareholders to have access to information, all information that may affect the exercise of their shareholder rights is provided in an electronic environment and in a timely manner.

### **4. Information about General Assembly**

One annual Ordinary General Assembly for 2012 was held on March 26th of 2013. The meeting also took place via electronic medium pursuant to CMB's Communiqué regarding the electronic general assembly meeting of joint stock companies dated August 19th of 2012.

Shareholders controlling TL 716,255,241.61 worth of shares corresponding to 65.11% of the bank's paid-in capital of TL 1,100 million attended this meeting.

## Corporate Governance Principles Compliance Report

Shareholders, members of BOD and employees attended the General Assembly meeting. In addition, Independent Auditors' Representative and Corporate Governance Rating Analyst were invited, and they attended the meeting.

The announcements concerning the meeting and specifying its place, date, time, agenda, and specimen proxy statement were published three weeks before the meeting date in the Türkiye Ticaret Sicili Gazetesi, the newspaper named Dünya Gazetesi, the ISE's bulletin and electronic general assembly system.

The invitations for the General Assembly were sent out via e-mail three weeks before the General Assembly in Turkish and English to those national and international investors who have invested in the bank's shares and were also published in the Bank's Turkish and English web sites.

The information about the meeting was also sent out within the same time frame by fax and registered mail return receipt requested to holders of registered shares.

All shareholders are also able to access directly information about General Assembly in both English and Turkish on the Bank's corporate website at [www.tskb.com](http://www.tskb.com).

The shareholders' register list which contains the names, surnames and the number of shares of the shareholders is prepared pursuant to the relevant regulation according to the information received from the Central Registry Agency.

As of the date on which the announcement of the invitation to a General Assembly is made, copies of the Turkish annual report, financial statements and reports, dividend payment proposal, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of association, and if the articles of association are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the bank's headquarters.

Such information and documents have also been accessible on the corporate website at [www.tskb.com](http://www.tskb.com).

During the Ordinary General Assembly held in 2013, the shareholders exercised their recognized right to ask questions and their questions were duly responded to. No agenda proposals were received from the shareholders.

- The following motions are accepted by majority votes;
- Constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly,
- Review and discussion of the Annual Reports of the Board of Directors, Declaration of Compliance with the Corporate Governance Principles and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within the year of 2012,
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2012,
- Release of the Members of the Board of Directors and Auditors,
- Approval of the election of the Members of the Board of Directors in replacement of resigned members during the year and election of the independent board members,
- Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend allotment date,
- Determination of allowance for the Members of the Board of Directors,
- Election of the independent audit firm,
- Presenting the amendment proposal of the Articles of Association for the approval of the General Assembly,
- Determination of the upper limit for the donations to be made in 2013,
- Approval of the dividend payment policy,
- Approval of the internal regulatory statute regarding the working procedures of the general assembly, Authorization of the Members of the Board of Directors for the transactions depicted in Articles 334 and 335 of the Turkish Commercial Code.

Regarding the Remuneration Policy of the Bank, the shareholders indicated in the attachment of the general assembly minutes stated that they are chary of the remuneration policy.

In addition, the donations made to Van Yüzüncü Yıl University, Boğaziçi University, Global İlişkiler Derneği, Türk Eğitim Vakfı, various education institutions and others totaling to 273,180 TL in 2013 was presented to the information of the shareholders.

Pursuant to the principle 1.3.7. of the Corporate Governance Principles, shareholders were informed that İş Bankası A.Ş. and TSKB are companies operating in the same sector and that some members of the Board of Directors are currently working for İş Bankası A.Ş. and Vakıflar Bankası T.A.O. in manager positions.



According to the bank's articles of association, the Board of Directors is authorized to make decisions involving:

- Allocations of credit above a specified limit,
- The acquisition of equity stakes and the establishment of partnerships and the disposition thereof,
- Matters of a highly important nature such as the management, acquisition, rental, or sale of real estate properties.

Maximum attention is given to strictly complying with at least the minimum requirements of law so as to facilitate participation in general meetings. It is thought that bank's shareholders encounter no difficulties in participating in general meetings and to date no feedback on this issue has ever been received from a shareholder.

Copies of the resolutions of the General Assembly are handed out to attending shareholders when the meeting is over and they were also published in electronic format on the bank's corporate website ([www.tskb.com](http://www.tskb.com)) in order to inform shareholders who do not attend the meeting.

In General Assembly announcements the following items should be clearly stated:

- The date and time,
- The location so as not to leave any doubts,
- The agenda,
- Pertinent information about the items on the agenda,
- If the agenda includes amendments to the articles of association, the old and new texts of the amended articles that have been approved by authorities,
- The party is summoning the meeting,
- If another general meeting is being called because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new meeting,
- If the announcement is for an annual meeting, where the annual report, financial statements, and other meeting-related documents are available for examination.

Before a General Assembly is held, information about changes in senior management or organizational activities that took place in the previous fiscal year or are planned in future ones, information about such changes together with their justifications will be provided to shareholders.

At such meetings, the following information and documents will be made available for the examination of shareholders:

- Explanations concerning changes in the bank's organizational structure and their justifications
- If one exists, a consultancy's report on the matter; otherwise a report on the subject prepared by the bank itself
- If organizational changes are to be made in subsidiaries or affiliates, the annual reports, financial statements, and proforma balance sheets for the three most recent fiscal years of all the companies affected by the organizational changes.

When preparing general meeting agendas, care is given to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; and to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with meeting announcements and are also made available for the information of shareholders in electronic format.

The principles and procedures that govern voting at the bank's general meetings are presented below in main outline.

- Each share of stock with a par value of 1 Kurush is entitled to one vote. There are no special voting rights.
- If a share of stock has more than one owner, only one of those owners may cast the share's vote on behalf of them all.
- Shareholders may participate in general meetings personally or may have themselves represented by a proxy.
- Voting at general meetings is by an open show of hands. Recourse may be had to secret ballot upon the demand of shareholders representing at least one-tenth of the capital present and voting.

The principles and procedures that govern voting at general meetings are also read out at the beginning of the meeting.

The shareholders' proposals regarding the agenda articles sent to the Shareholder Relations Unit are given consideration by the Board of Directors to the degree possible during the preparation of the meeting's agenda.

## Corporate Governance Principles Compliance Report

As required both by law and by the bank's articles of association, annual general meetings are held as soon as possible and within three months after the close of a fiscal year.

Annual General Assemblies are held as soon as possible after the end of the fiscal year but on no account more than three months later.

As required by the bank's articles of association, annual general meetings are held in the same locality as the bank's headquarters and in such a way as to make it possible for all shareholders to attend.

At the start of the meeting and for the information of all shareholders, the total number of votes that may be exercised at a general meeting are classified on the basis of shareholders and indicated in the attendance roster along with a statement that there are no special voting rights.

News and analyses pertaining to disputed issues appearing in the media concerning the bank are presented for the information of shareholders at general meetings.

Questions that shareholders ask to the members of the Board of Directors or to the statutory auditors are responded to, provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

The president of a General Assembly conducts the meeting effectively and in such a way as to ensure that shareholders are able to exercise their rights.

Care is given to responding directly to every question raised by shareholders at a General Assembly during the meeting. Every effort is made to provide a written response within one week's time at the latest in situations where a question raised by a shareholder at a General Assembly which cannot be addressed directly, which is unrelated to the agenda, or which is too complex to be answered immediately.

The members of the Board of Directors, the bank officers responsible for preparing the financial statements, and the statutory auditors as well as other involved parties take pains to be present at general meetings in order to provide information about issues of a special nature that are on the agenda.

Each item on the agenda of a General Assembly is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the meeting is adjourned.

The resolutions of General Assemblies are always available in printed format and are also accessible in electronic format on the corporate website ([www.tskb.com](http://www.tskb.com)).

### 5. Voting rights and minority rights

According to the bank's articles of association, each share of stock with a nominal value of 1 Kurush is entitled to one vote. There are no shares that have special voting rights.

As required by banking legislation and by the provisions of the Turkish Commercial Code, the members of the Board of Directors are elected by shareholders convened in a General Assembly.

As required by the bank's articles of association, one member of the Board of Directors is chosen from among candidates designated by the Central Bank of the Republic of Turkey.

As required by law, the general manager is a member of the Board of Directors as of right. The number of the independent board members and their criteria are determined pursuant to the CMB's regulations regarding corporate governance.

Vakıfbank, which controls an 8.38% stake in the bank's capital, has one seat on the Board of Directors.

There is no upper limit on the number of votes a shareholder may cast at a General Assembly.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares have been acquired.

The articles of association contain no provisions preventing non-shareholders to act as proxies for the shareholders.

The shareholders may exercise their voting rights personally at General Assemblies and may also do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at General Assemblies. If a corporate shareholder is represented by more than one individual at a meeting, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

## 6. Dividend right

The dividend payment proposals that the Board of Directors submits to the General Assembly of shareholders are prepared according to a policy that:

- Avoids upsetting the delicate balance between shareholders' expectations and bank's need to grow
- Takes the bank's profitability into account.

The Bank's dividend payment policy is approved by the General Assembly held on March 26th 2013 and published on the Bank's Turkish and English websites.

The bank's dividend payment policy is to pay out 30% of distributable profit as a dividend provided that there are no adversities in global and/or national economic conditions and the bank's own financial position and the capital adequacy ratio are at expected levels.

The principles concerning the distribution of the bank's profits are governed by article 47 of the articles of association.

There exist 100 founders' shares that receive a portion of the profits distributed within the framework of the principles.

Dividends are paid within the legally prescribed periods of time.

Care is given to paying dividends as quickly as possible but in no case later than the end of the 5th month of the year as prescribed by the law. The dividend proposal of The Board of Directors was accepted during the General Assembly and the distribution is completed as following; the dividends of the year 2012 equivalent to 168,000,000.-TL as bonus shares subsequent to the registration of the said shares by the Capital Markets Board and the cash dividends equivalent to 60,000,000.-TL on March 28th of 2013;

There are no significant donations or grants in aid that the bank made during the year or had planned to make as of year-end. As required by the "Regulations concerning the donations and grants in aid that may be made by banks and organizations subject to consolidated audit with them" that went into effect on November 1st 2006, the bank does not make political contributions.

## 7. Transfer of shares

The articles of association contain no provisions restricting the transfer of shares.

All shareholders, including minority shareholding interests and foreign nationals, are treated equally.

## SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Disclosure Policy

The bank's Disclosure Policy has been formulated and approved by the Board of Directors. It was publicly announced on March 16, 2006. The Policy is updated on September 30, 2009 and then on February 28, 2011 and approved by the Board of Directors. The policy is published in both Turkish and English on the bank's website. The updated disclosure policy was presented to the Ordinary General Assembly which was held on March 25, 2011.

Any changes that may be made in the Disclosure Policy are publicly announced, together with their justifications, after being approved by the Board of Directors.

### 9. The company's corporate website and its content

The bank makes active and intensive use of its corporate website for public disclosures and announcements. This website contains all the information and data required by corporate governance principles and by regulatory authorities on a historical basis and in both Turkish and English. The website also contains announcements about General Assemblies that are to be held, the items on their agendas, reporting documents pertaining to agenda items, other information, documents, and reports related to agenda items, and information about how to participate in General Assemblies. The corporate website is kept up to date on a continuous basis.

In bank's corporate website address is ([www.tskb.com](http://www.tskb.com)). This address is included in the bank's letterhead stationery.

### 10. Annual Report

The annual report of the Bank is prepared in Turkish and English including the information and content pursuant to the relevant regulations. The Turkish version of the annual report is published three weeks before the General Assembly at the Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and at the Bank's corporate website. The English version of the annual report is published at the Bank's corporate website after it is finalized.

## Corporate Governance Principles Compliance Report

### SECTION III - STAKEHOLDERS

#### 11. Keeping stakeholders informed

Care is given to keeping stakeholders—those who have an interest in the bank and include shareholders, employees, creditors, customers, suppliers, non-governmental organizations, the government, and potential investors—informed on issues concerning the bank that are of interest to them as much as possible in writing. Insofar as is possible, the bank's relationships with stakeholders are governed by written agreements.

In situations where the rights of stakeholders are not governed by law or contract, the bank safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the bank's own reputation.

#### 12. Stakeholder participation in management

The articles of association contain no provisions governing stakeholder participation in the bank's management.

"General assessment" meetings are held two times a year in order to inform employees about the bank's activities and progress in general and to solicit their suggestions. At such meetings, the bank's financial structure and performance are also assessed together with employees.

In addition to general assessment meetings, employees are able to convey their opinions and claims to the relevant persons and have contribution to the company resolutions.

Moreover, an "employee satisfaction survey" which was first conducted in 2012 aims to measure the level of employee satisfaction, assess their expectations and claims and review the Bank's human resources policy.

#### 13. Human Resources Policy

The principles of the human resources policy adopted by the bank are set out below.

Job descriptions, assignments, and performance criteria are determined by management and announced to employees.

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

When making training, assignment, and promotion decisions, particular care is given so as to make use of objective criteria and to protect the bank's best interests.

Training plans are developed and implemented so as to enable employees to improve their professional knowledge and skills, as well as plans improving their personal and administrative competence which are appropriate for their career plans.

Employees are provided with a secure work environment and safe working conditions. These conditions are improved in line with social and technological requirements.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues.

Measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to ensure respect for human rights; and to protect employees against physical, mental, or emotional abuse in the workplace.

The human resources policy is also publicly disclosed on the corporate website.

#### 14. Ethical Rules and Social responsibility

The bank adopted the Code of Banking Ethics published by the Banks Association of Turkey under Board of Directors resolution dated March 16, 2006. The board has also adopted the new form of the code as revised by the Banks Association of Turkey on September 15, 2010. The complete authorized Turkish and English versions of Code of Banking Ethics are available on the TSKB corporate website.

The Code of Banking Ethics also applies to the Board of Directors.

The Members of the Board of Directors and the names of the people who may have access to insider information stated on the Article no:12 are announced and they have signed statements at the Board meeting regarding the following issues; not to comply with suppression resulting against in favor of the shareholders, not to accept monetary advantage and information about not disclosing the Bank's confidential and/or trade secret information.

Trade secret mentioned above is made up of interior establishment structure and organization, monetary, financial, loan and cash situation, research and development, activity strategy, pricing policies, marketing tactics and expenditures, market shares, client potential and network, contract connection, documents, electronic recording and data that can be learned and obtained only by qualified individuals that are related to Bank's activity area and individuals who may have access to insider information. So called intelligence cannot be learned by rivals and third parties and not to be publicly disclosed and has a great significance for the Bank's success and efficiency.

The personnel whose names are in the insider information list declare that they acknowledge their liabilities and that they acknowledge the sanctions regarding the abuse and improper disclosure of such information in breach of law and legislation.

Social responsibility projects have always been on the essentials of sustainable banking philosophy of TSKB. In this context, TSKB undersigned an extensive social responsibility project on environment using its corporate potential and communication networks with the aim of increasing public awareness. Under the scope of this project TSKB established an information platform that would be supported by wide participation of various segments in society.

As being the communication channel of the project, [www.cevreciyiz.com](http://www.cevreciyiz.com) and [www.cevreciyiz.TV](http://www.cevreciyiz.TV) became the most comprehensive environmental portals of Turkey. Both technological infrastructure and editorial process are supported by TSKB, and has been in close collaboration with environmental NGO's for providing reliable content. Within [www.cevreciyiz.com](http://www.cevreciyiz.com), there are categories like news on environment, articles and researches, success stories, book promotions as well as interactive applications such as competitions, carbon foot print calculation and photograph exhibitions which aim to increase the public awareness on environment. On the other hand TSKB's video portal [www.cevreciyiz.TV](http://www.cevreciyiz.TV) broadcasts striking videos on environment through internet with the motto "It takes a minute to see the global change!" in order to give inspiration on environmental solutions.

#### SECTION IV - BOARD OF DIRECTORS

##### 15. Structure and Composition of the Board of Directors; non-executive directors

With the exception of the general manager, the Board of Directors consists entirely of non-executive directors.

The positions of general manager and board chairman are held by different people.

As the bank has no ultimate non-corporate controlling shareholders, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the bank and its stakeholders above everything else.

## Corporate Governance Principles Compliance Report

Information about the members of the Board of Directors and general manager is presented below:

Name	Title	Educational background	Working Experience	Date of Appointment	Company employed by and position
Adnan Bali	Chairman	Middle East Technical University / Economics and Administrative Sciences	28 years	21.04.2011	T. İş Bankası A.Ş. Chief Executive Officer
Mehmet Şencan	Board Member and Vice Chairman	İstanbul Technical University/ Management Engineering	26 years	07.06.2011	T.İş Bankası A.Ş. Manager-Ankara Başkent Corporate Branch
Özcan Türkakın	Board Member and CEO	Boğaziçi University/Economics	29 years	31.01.2013	TSKB A.Ş. Chief Executive Officer
M.Baran Tuncer*	Independent Board Member	Ankara University/ Faculty of Political Science	34 years	30.04.2008	Retired
Durmuş Yılmaz	Board Member	University of London	34 years	26.03.2012	Chief Consultant for the Economy at the Presidency of the Republic of Turkey
E.Burhanettin Kantar	Board Member	Middle East Technical University/ Public Administration	25 years	23.03.2005	T. İş Bankası A.Ş. Manager - Participations Dept.
Murat Bilgiç*	Independent Board Member	University of Birmingham	23 years	23.03.2005	T. İş Bankası A.Ş. Manager-Corporate Loans and Allocation Department
Kemal Serdar Dışlı*	Independent Board Member	Hacettepe University/ Public Administration	26 years	25.05.2007	T. İş Bankası A.Ş. Manager - Maslak Corporate Branch
Uygar Şafak Ögün	Board Member	Bilkent University/ Business Administration Department	19 years	02.04.2010	T.İş Bankası A.Ş. Manager-Corporate Banking Marketing and Sales
Feridun Bilgin	Board Member	Istanbul Technical University/ Faculty of Electrical and Electronic Engineering	17 years	12.09.2012	Deputy Secretary of Turkish Treasury
Halil Aydoğan	Board Member	Istanbul University / Faculty of Economics	36 years	20.12.2013	T.Vakıflar Bankası T.A.O. Manager-Project Evaluation and Loans

\* Audit Committee members are counted as independent board members according to the Article 5/(11) of the CMB's Corporate Governance Principles.

With the Nomination Committee's report dated February 27th of 2013, Ms. Yonca Koçak was presented as the independent board member nominee at the Board of Directors meeting on the same date of the said report. Following the approval of the Board of Directors, Ms. Yonca Koçak was selected as the independent board member by the General Assembly held on March 26th 2013. At the time of being presented as the nominee, Ms. Yonca Koçak delivered her declaration of independence pursuant to regulations, articles of association and criteria set by the Communiqué to the Nomination Committee. In place of Ms. Yonca Kocak who resigned on December 16th of 2013 Mr. Halil Aydoğan was selected. There are ongoing efforts on the selection of the independent board member until the General Assembly which will be held on March 2014.

Because their qualifications are stipulated by law, the bank's articles of association contain no other provisions governing the minimum qualifications required to be elected to a seat on the board. By law, the general managers of banks must have at least four years of university education in one or more of the disciplines of law, economics, business administration, public finance, public administration, or the equivalent of these or in the engineering branches of those disciplines and must have and at least ten years of professional experience in banking or business administration. More than half of the members of the board must have the same qualifications save for that of length of professional experience.

All of the members of the Bank's Board of Directors have at least the following qualifications:

- A satisfactory level of knowledge and experience in banking and/or finance,
- Financial statement and report reading and analysis skills,
- Basic knowledge about the legal framework governing the bank and about the conditions of its market,
- The willingness and ability to regularly take part in board meetings during their elected term of office.

The Board of Directors consists of eleven members and this number makes it possible for the board's activities to be organized effectively.

A newly-elected member of the board takes part in an orientation program that includes:

- Becoming acquainted with bank managers and visiting bank units,
- Reviewing bank managers' backgrounds and performance evaluations,
- Being familiarized with the bank's strategic goals, current standing, and problems,
- Examining the bank's market share, financial structure, and performance indicators.

While there are no specific rules concerning board members' undertaking other duties outside the bank, no member has any duties other than the ones naturally incumbent upon them in the corporate entities they represent and in the organizations belonging to the corporate entities they represent.

The members of the board devote a sufficient amount of their time to the bank's business. One of the board members works full-time in the Bank.

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the bank's market value,
- Ensure that the banks' activities are conducted in such a way as to secure long-term, stable gains for its shareholders,
- Maintain the delicate balance between shareholders' expectations and the bank's need to grow.

When choosing new members to fill vacancies on the board, attention is given to the following matters:

- Candidates are required to be present at General Assemblies at which board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates.
- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with bank regulations about such matters.

Attention is given to the conduct of regular board meetings, which are held at least once a month.

Since they are the representatives of corporate shareholders, the law does not require the members of the Board of Directors to be shareholders in the bank themselves.

The stocks in the bank owned by the Board of Directors are symbolic.

The authorities of the Board of Directors are set forth in the bank's articles of association, according to which the board is responsible, among other things, for:

- Ensuring that all the transactions made necessary by the matters making up the bank's principal business activities are carried out and making such decisions to that end as are necessary,
- Identifying general rules concerning internal regulations and bank policies in line with the bank's objectives and identifying those who exercise power of signature over the bank,
- Determining what bank transactions are to be performed by the general manager and which ones will require a board decision,
- Making credit allocations that are above a specified limit,
- Acquiring equity stakes, entering into partnerships, and disposing thereof,
- Managing, acquiring, renting, and selling real estate properties.

The Board of Directors exercises its authorities fully cognizant of all information needed to fulfill its duties, prudently, and within the framework of the rules of good faith.

As stipulated in the articles of association, the general manager is responsible for the day-to-day conduct of the bank's business within the framework of the principles and limits set by the Board of Directors.



## Corporate Governance Principles Compliance Report

Authorities concerning the conduct of the bank's business are delegated to executive organs within the framework of the bank's published powers of signature.

The sanctions that are to be imposed in the event of illegal or irregular acts on the part of employees are set forth in the personnel regulations approved and put into effect by the board.

The board has taken necessary precautions to ensure that information about the bank that is not to be publicly disclosed or is in the nature of trade secrets is not divulged outside the bank.

Periodic financial statements and the bank's annual report are published with the board's approval.

Outside its basic functions, the Board of Directors also takes the opinions and recommendations of executive organs and committees into account in the fulfillment of its responsibilities such as:

- Approving the bank's annual budget and business plans,
- Having the bank's annual report prepared and finalizing it for presentation to the General Meeting,
- Ensuring that General Assemblies are held in accordance with the requirements of law and the bank's articles of association,
- Carrying out the decisions made at General Assemblies,
- Checking significant expenditures that amount to more than 10% of the bank's most recent balance sheet,
- Approving manager career plans and incentive programs,
- Determining policies related to shareholders, stakeholders, and public relations,
- Determining the bank's public disclosure policy,
- Determining bank and employee rules of ethics,
- Determining the working principles of committees and ensuring that committees are effective and productive in their work,
- Taking measures to ensure that the bank's organizational structure is able to respond to current needs,
- Examining the activities of predecessor boards of directors.

In addition, the Board of Directors has ultimate responsibility for the creation of the internal audit, internal control, and risk management systems-the "internal control systems" required by the Banking Regulation and Supervision Agency's "Regulations concerning the internal systems of banks"; for their effective, adequate, and proper operation; for the protection of the information provided by the accounting and financial reporting system; and for the determination of authorities and responsibilities throughout the bank.

### 16. Operating principles of the Board of Directors

A draft of the agenda for a board meeting is prepared by the general manager and finalized in line with the suggestions of the chairman and other directors.

The Board of Directors convened 56 times between January 1, 2013 and December 31, 2013.

Special care is given to setting meeting dates that will allow all board members to attend. Meetings are regularly held with all members in attendance, except in unforeseen exceptional cases.

Notifications concerning board meetings are sent out first by telephone and are then followed up in writing.

A secretariat has been set up that is responsible for keeping the members of the Board of Directors and the statutory auditors informed and for communicating with them.

Dissenting votes at BOD meetings and the justifications for them are entered into the meeting's resolutions and the statutory auditors are notified of this situation, as well. No member of the board cast a dissenting vote at any board meeting in 2013.

All members of the Board of Directors take particular care to be present at meetings dealing with important issues related to the bank's activities such as:

- Determining business that the bank is to engage in and approving business and financial plans,
- Summoning ordinary and extraordinary General Assemblies and taking care of matters related to their organization,
- Finalizing the annual report that is to be submitted at a General Assembly,
- Electing the chairman and deputy chairman and appointing new members to the board,

- Creating and winding up administrative units,
- Appointing and dismissing general managers,
- Setting up committees,
- Approving mergers, demergers, and restructurings; selling more than 10% of the bank's non-current assets or undertaking investments amounting to more than 10% thereof; approving expenditures amounting to more than 10% of the bank's total assets,
- Determining the bank's dividend payment policy and how much of current profit is to be paid out as a dividend
- Increasing or decreasing the bank's capitalization.

The Board's first meeting is preferably held on the same day that the board is elected into office.

At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

In principle, the board members take part in all meetings.

The board meets regularly at least once a month as previously scheduled and occasionally as circumstances seem to warrant.

Information and documents pertaining to items on the board's agenda are normally sent out to members for them to examine at least seven days before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

Each board member is entitled to a single vote. All members' votes are equally counted and no member has a positive or negative veto power.

As stipulated in the articles of association, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

There are not any related-party transactions or any transaction that are in the scope of the significant transactions within the period of January 1st - December 31st of 2013.

Members of the Board of Directors engage in no activities which would be subject to any prohibition on doing business or competing with the bank and which would therefore require them to obtain the prior permission of the shareholders at a General Assembly. Regarding those activities, General Assembly gives permission to Board of Directors pursuant to 395th and 396th article of the Turkish Commercial Code.

## **17. Number, structure, and independence of committees established by the Board of Directors**

### **Audit Committee**

According to the Banking Law's 24th clause, the Audit Committee established by two members of Board of Directors whom do not have act of commission. Regulation about the assignment, authorization and liability of the Audit Committee, has been approved and inured.

The Committee has three members, who are member of board of directors without act of commission. It is chaired by Kemal Serdar Dışlı, Murat Bilgiç and Mustafa Baran Tuncer. The duties of Audit Committee are:

- Establishing the internal audit and risk management systems in compliance with legal and internal regulations, ensuring that they function effectively and sufficiently,
- Helping Board of Commission out with assessment of external auditors and monitoring the appointed auditor's activities on a regular basis,
- Ensuring that the internal audit functions of subsidiaries on a consolidated basis are coordinated in line with regulations.
- Reporting to the Board of Directors that the internal audit, risk management, internal control unit and the external auditors operate within the framework of the related regulations and informing the Board of any issues or incidents that could have an adverse impact on the continuity or soundness of the Bank's activities.
- If necessary, gathering information and related documents from all units of the bank, support service contractors, and independent auditors; being subject to Board approval obtaining consultancy service.
- Analyzing and submitting quarterly internal audit reports to the Board of Directors, which are prepared by responsible internal auditors according to 2nd paragraph of 29th article of the Banking Law No: 5411.

Between January 1st - December 31st of 2013, Audit Committee held 41 meetings.

## Corporate Governance Principles Compliance Report

### Corporate Governance Committee

Corporate Governance Committee was formed and approved at the Board meeting on 30 September 2009, in order to accomplish the Board of Directors' activities according to the corporate governance principles announced by Capital Markets Board (CMB) in July 2003 and revised in 2005.

Corporate Governance Committee is formed by 2 Members of the Board of Directors who have no executor duties. Mr. Mustafa Baran Tuncer (president) and Mr. Mehmet Şencan are the current members of Corporate Governance Committee.

In accordance with the Board of Directors' decision dated February 27th, 2013 numbered 2104, the regulations of the Corporate Governance Committee were amended and the duties of the Nomination Committee are incorporated into the authorities and responsibilities of the Corporate Governance Committee.

Roles, authorities, responsibilities and working principles are arranged by the Board of Directors as below;

- Corporate Governance Committee, in the name of the Board of Directors, determines if the corporate governance principles are put into practice, if not determines the reasons and conflict of interests resulting disobedience and propose reformative regulations to the Board of Directors,
- Coordinate the activities of the shareholders relations unit and in this content monitor the relations with shareholders and investors and fulfill their rights to obtain information. Creating a transparent environment when determining, evaluating and training the suitable members for the Board of Directors and working on deciding policies and strategies on this subject,
- Ensure the independency and efficiency of the Board of Directors, by following the domestic regulations supervising the conflict of interests between the Committee, the Members of the Board of Directors, Senior Management and other employees and bad usage of information about trade secret,
- Propose recommendations about public disclosure and presentations to be in accordance firstly to law and regulations and Bank's 'Disclosure Policy' and active usage of Bank's website in public disclosures,
- Working collaboratively with the executives who are responsible with public disclosure declarations,
- Assimilation and implementation of Bank's rules of ethics and Corporate Governance Principles inside the Bank,
- Advise on mechanism, structure and efficiency of the Board of Directors and related committees,
- Advise on financial benefits provided to the Board of Directors with reasoning,
- Establish a transparent system regarding the designation, assessment and education of the appropriate board member nominees and set out the policies and strategies in this context,
- Designate the independent board member nominees, advise and file a report, which comprises the names of the independent board member nominees including the nominees designated by the management and shareholders and the assessment of the nominee with respect to independency criteria, to Board of Directors,
- Evaluate the performance of the board members and senior management, identify and monitor the approach, principles and practices with respect to career planning,
- Obtain consultancy service from professionals who are experts on their fields, when necessary depending on the approval of the Board of Directors,
- Execute the other responsibilities set by the relevant regulation which is in effect and the duties assigned by the Board of Directors,
- Notify or report to Board of Directors regarding the committee's operation results, the precautions that shall be taken within the scope of the committee's responsibilities, and the findings, views, recommendations with respect to other critical issues.

Corporate Governance Committee meets minimum 4 times a year and at a request of a member with predetermined agenda if necessary.

The Committee has performed 4 meetings at February 27th, March 26th, July 25th and September 26th of 2013 at the headquarters of the Bank.

### Remuneration Committee

Remuneration Committee has been established on February 16th, 2011 according to the stipulations of 1st article of the Amendments of Regulation on the Banks' Corporate Governance Principles-Draft issued by Banking Regulation and Supervision Agency and published on the Official Gazette dated November 1st, 2006 and has been approved by the Board of Directors meeting dated December 27th, 2011. Committee is comprised of two Members of Board of Directors, Mr. Mehmet Şencan and Mr. Burhanettin Kantar.

Duties, authorities and responsibilities of the Remuneration Committee has been stipulated by the Board of Directors as outlined below;

- Committee is responsible for a written remuneration policy that is in line with the scope and structure of the bank's operations, bank's strategies, long term goals and risk management structures; that prevents taking excessive risks and that contributes to effective risk management,
- Board of Directors shall review remuneration policy at least once a year to ensure its efficiency,
- Remuneration Committee shall evaluate remuneration Policy and its applications with respect to risk management each year and present a report which also includes Committee's suggestions, to the Board of Directors.
- Duties and activities related to ensuring preparation, issuance, update and efficient adherence to practice criteria and principles of the bank regarding remuneration are performed, managed and coordinated by Human Resources Department,
- Staff of the bank at all levels shall perform their duties and responsibilities for efficient practice of remuneration policy and procedures, continuously, accurately and in full.

Activities of the bank regarding remuneration are under regular inspection and evaluation with respect to adherence to relevant legislation and policy provisions.

### 18. Risk management and internal control mechanisms

A risk catalogue has been prepared that defines the potential risks to which the bank may be exposed. This catalogue has been approved by the Board of Directors and is now in force.

Risk policies that were formulated for the risk categories which are included in this catalogue and which are of the highest importance from the standpoint of the bank's activities have been approved by the Board of Directors and are now in force.

Under the heading of processes concerning the measurement, assessment, and management of the bank's risks, a structure that reports to the Board of Directors has been created to ensure that risk management and internal control activities are conducted in an organized way and within the framework of the risk catalogue that has been prepared.

An "Audit Committee" has been set up within the Board of Directors to assist the board in the performance of its audit and oversight functions. This committee carries out its activities subject to the board through the Board of Inspectors (internal audit), Risk Management, and Internal Control Departments. The Audit Committee is responsible for ensuring on the Board of Directors' behalf, the effectiveness and adequacy of the units referred to as "internal control systems".

The duties and responsibilities of the Board of Inspectors, Internal Control Department, and Risk Management Department are all in compliance with the requirements of existing laws and regulations and they are governed by internal regulations that have been approved by the bank's Board of Directors.

## Corporate Governance Principles Compliance Report

### 19. Strategic Objectives

Strategic objectives are determined by management taking into account competitive conditions, the overall economic situation, general expectations in national and international financial markets, and the bank's medium and long-term objectives and they are presented to the Board of Directors for its approval.

These strategies and objectives are debated thoroughly and comprehensively by the board. Performance with respect to approved strategies and objectives is regularly reviewed at monthly board meetings at which the bank's activities, financial structure, and related issues are reviewed and assessed.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month.

At such meetings, consideration is given to the bank's activities, the degree to which the approved annual budget and business targets are being achieved, the position of the bank in its sector, its financial structure and performance standing, and the compliance of its reporting and activities with international standards.

### 20. Financial benefits provided to the Members of Board of Directors and Senior Management

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them. The amount to be paid as an honorarium is determined in line with the proposals put forward by shareholders at a General Assembly.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the bank.

The total amount of financial benefits paid such as bonus, dividend, wage, etc. to members of Board of Directors and senior management is TL 7,168 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is TL 335,755.

## Profit Distribution Proposal

To the allocation and distribution of Net Profit of 2013 equivalent to TL 326,056,885.82 as follows in accordance with Article 47 of our Articles of Association;

1. in accordance with the paragraph (a) of 47th article of our Articles of Association, to the allocation of TL 16,302,844.29 which is 5% of the net profit as legal reserve fund,
2. in accordance with the paragraph (b) of 47th article of our Articles of Association, to the allocation of TL 92,812,206.42 as first profit share,
3. According to article 5-(1)/e of Corporate Tax Code numbered TL 400,702.12 will be classified into a specific account of Equity as "property sale income",
4. Out of the TL 216,541,132.99, the remnant after the reduction of 1-3 articles above, in accordance with the paragraph (d) of 47th article of our Articles of Association,
  - a) to the distribution of gross amount of TL 1,665.70, which is 5% of the aforementioned remainder (to be limited with the part of 200,000 of paid-in-capital), to the founder shares to be TL 16.66 to each founder share;
  - b) to the distribution of gross amount of TL 1,082,705.66, which is the 0.5% of the aforementioned remainder, to the Members of Board of Directors;
  - c) to the distribution of gross amount of TL 6,496,233.99, which is the 3% of the aforementioned remainder, to the employees in accordance with the Resolution of Board of Directors;
5. in accordance with the paragraph (e) of 47th article of our Articles of Association, to the allocation of 130 Billion shares, paid-up and non-paid-up, with 1 Kuruş nominal value, (on account of 13.2452%) to be 0.132452 Kuruş to each of them, the total amount of TL 172,187,793.58 as second profit share,
6. in accordance with the article 519-(2)/c of Turkish Commercial Code, to the allocation of TL 758,060.54 as statutory reserve fund,
7. to the allocation of TL 36,014,673.52, the remainder, as extraordinary reserve fund,
8. to the distribution of TL 265,000,000 in full, which is the total of first and second profit shares stated in 2nd and 5th articles above, TL 65,000,000 is to be distributed to shareholders as cash dividend and remaining TL 200,000,000 shall be distributed as stock dividend in the capital increase from TL 1,300,000,000 to TL 1,500,000,000,
9. to the distribution of dividends of the year of 2013 equivalent to TL 200,000,000 as bonus shares subsequent to the registration of the said shares by the Capital Markets Board and the distribution of cash dividends equivalent to TL 65,000,000 starting March 31st, 2014 ; to recommend to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

Board of Directors

## Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems, and Their Activities in the Reported Period 2013

### General Information about TSKB Internal Systems

As required by the provisions of the Banking Act (Statute 5411) and the Banking Regulation and Supervision Agency's "regulations concerning the internal systems of banks", TSKB Board of Inspectors, Internal Control Department and Risk Management Department conduct their activities subject to the Audit Committee set up to assist the Board of Directors in the fulfillment of its audit and oversight responsibilities. Information concerning internal audit, internal control and risk management activities are given to the Audit Committee through regular meetings. The duties and responsibilities of the Board of Inspectors, the Internal Control Department and the Risk Management Department are in compliance with the requirements of existing laws, regulations, and administrative provisions and have been set out in internal regulations approved by the Board of Directors.

The fundamental principles of the Bank's risk management are: risk-focused auditing; active oversight of the Board of Directors and senior management; setting and monitoring of proper policies and limits; independent, accurate, and timely measurement, assessment, and reporting of risks; and establishment of effective internal control systems.

### TSKB Board of Inspectors

TSKB Board of Inspectors reports directly to the Board of Directors through the Audit Committee and is responsible for conducting audit functions concerning all activities of TSKB. In this regard, the Board's audits, investigations and inquiries are carried out at all of the Bank's units, branches and subsidiaries.

The Board of Inspectors prepares a detailed internal audit plan for the following year including the units that will be audited; and submits this plan to the Audit Committee for an approval. Internal audit and IT audit activities are carried out by bank inspectors and IT auditors within the framework of the audit plan, in an objective and independent manner, and with all due professional diligence.

Risk assessments are being prepared by the Board of Inspectors that serve as the basis for the preparation of audit plans that take a more effective, risk-focused approach to auditing. In these risk assessments, the risks to which the bank is exposed and the ways in which they are controlled are taken into consideration to determine priorities in the conduct of audits and how frequently audits should take place. In this way, resources can be used more efficiently and it becomes possible to intervene in potential risky issues more quickly and effectively.

Reports prepared as a result of inspection activities are submitted to the Audit Committee, which examines them and then forwards them to the general manager. The findings and recommendations in these audit reports, as well as the measures and actions taken by the headquarter's units are monitored by the Board of Directors.

TSKB Board of Directors maintains a close watch over the activities of TSKB Board of Inspectors, which submits a report setting out the internal audit activities and their results to the Board of Directors through the Audit Committee at 3-month intervals.

In accordance with 7th paragraph of 19th article and 1st paragraph of 33th article of "Regulation on Bank Information Systems and Banking Processes Audit to be Performed by External Audit Institutions" published in the Official Gazette dated January 13th, 2010 and numbered 27461, Banks are obliged to submit a "Management Statement", which is prepared by the Board of Directors as of the audit period concerning the internal controls of the information systems and banking processes, to the independent auditor. Related operations are executed under the coordination of the Board of Inspectors which is authorized by the Board of Directors.

In addition to audit activities, the members of the TSKB Board of Inspectors undertake duties on projects being carried out in the Bank and they take an active part in all aspects of these projects from their original design to final execution.

### TSKB Internal Control System

TSKB Internal Control System is structured to ensure that all financial and operational risks involved in the Bank's activities are continuously kept under a reasonable level of control.

The Internal Control Department is responsible for the presence of the internal control system that covers control activities to identify in advance and manage the risks to which the Bank may be exposed in its efforts to achieve its aims; to ensure that the Bank's operations are effective and productive; to protect the Bank's assets; to comply with current laws and regulations; and to safeguard the reliability and integrity of the accounting and financial reporting systems.

The business procedures, work flows, responsibilities, authorities, and limits are continuously reviewed and updated parallel to changing needs, risks, and conditions. Whenever internal controls embedded in the Bank's primary activities and business processes are formulated or changed; they must also be reviewed and approved by the Internal Control Department. During the development of new projects and products, the Internal Control Department plays a proactive role in addition to its regular responsibilities and helps to identify where new internal control points need to be placed.



## Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems, and Their Activities in the Reported Period 2013

Business activities take place in a controlled environment thanks to appropriate control mechanisms within individual business processes which respond to risks related to specific activities. Functional responsibilities on an individual activity basis as well as authorities to perform and approve transactions and their limits, system controls, post-transaction controls, and other transaction-specific controls ensure that activities and transactions are always conducted in an effective, correct, and secure manner.

Findings, opinions and recommendations resulting from the control activities of the Internal Control Department are first shared and evaluated with related process owners. In this way, additional controls are put into effect and preventive measures are taken timely; practical and effective process improvement solutions are implemented. All processes and activities are continuously and closely monitored and assessed by the Internal Control Department as well as by those who perform them.

TSKB Audit Committee periodically assesses the effectiveness of the internal control system and the results of internal control activities through activity reports prepared by the Internal Control Department.

The duties and responsibilities of the Compliance Officer as stated in the "Prevention of Laundering Proceeds of Crime" Law and other related regulations in effect have been fulfilled by Mr. Fuat Sönmez who is the Head of Internal Control Department and assigned as the legal "Compliance Officer" by the Bank on December 1, 2013. The activities and controls regarding prevention of laundering proceeds of crime and financing of terrorism are executed in compliance with related legislations and the Bank's internal policies. The results of the activities regarding compliance are also regularly evaluated by the Audit Committee through the annual reports.

The Internal Control Department and other related departments continued to follow up the announcements and regulations of legal authorities in 2013.

### TSKB's Risk Management System

The risk management process, which is organized under risk management regulations and serves for the establishment of a company-wide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities.

The Risk Management Department is responsible for the formulation of risk management strategies to be followed by the Bank, as well as of its targets and policies, implementation of risk management activities and definition, measurement, monitoring, analysis, assessment and reporting of risk exposures. Within this scope, it contributes to the studies aimed at the development and integration of systems that will facilitate the monitoring of the compliance of risks with policies and standards and Bank's limits, identification of breaches, analysis of the risk dimension through various scenarios, measurement, monitoring and reporting of risks. The Risk Management Department identifies the main risks faced by the Bank, measures the risks undertaken, determines and develops methods to be used in risk measurements and checks consistency. The Risk Management Department also conducts studies of compliance with the Basel criteria.

The Risk Management Department submits to the Board of Directors, through the Audit Committee, the detailed solo and consolidated risk management reports that are prepared on monthly and quarterly basis.

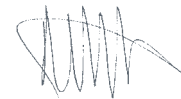
TSKB has determined in the TSKB Risk Management Policies and TSKB Capital Adequacy Policies the regulations not only for the existing risks but also for possible future risks. In this framework, the executive management prepares strategic plans which take into account the economic activities in the country, sectoral developments, competition, funding and placement opportunities and develops and projects base and alternative scenarios for one year and long term periods. With the help of these studies, possible various scenarios and the related bank's financial structure and capital adequacy levels are identified and the relevant action plans are developed.



Mustafa Baran TUNCER  
Member of the Board of Directors  
and Audit Committee



Kemal Serdar DİŞLİ  
Member of the Board of Directors  
and Audit Committee



Murat BİLGİÇ  
Member of the Board of Directors  
and Audit Committee

Türkiye Sınai Kalkınma Bankası A.Ş.

## Unconsolidated Independent Auditors' Report

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)



Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 3  
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To the Board of Directors of

Türkiye Sınai Kalkınma Bankası A.Ş.

We have audited the unconsolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") as of 31 December 2013 and the related unconsolidated income statement, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *The Board of Directors' Responsibility for the Financial Statements:*

The Board of Directors of the Bank is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (BRSA) and declarations by the Banking Regulation and Supervision Board, free of material misstatement, whether due to fraud or error, that could lead to false information within.

### *Auditors' Responsibility:*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit at Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.

### *Opinion:*

In our opinion, based on our audit, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the Article 37 of (Turkish) Banking Law No: 5411 and other regulations, explanations and circulars on accounting and financial reporting principles announced by BRSA.

İstanbul,

4 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova  
Partner

### **Additional paragraph for convenience translation to English:**

As explained in Section 3 Note I, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Türkiye Sınai Kalkınma Bankası A.Ş.

# The Unconsolidated Financial Report of Türkiye Sınai Kalkınma Bankası A.Ş. for the Year Ended 31 December 2013

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Address: Meclis-i Mebusan Cad. No: 81 34427 Fındıklı/Istanbul

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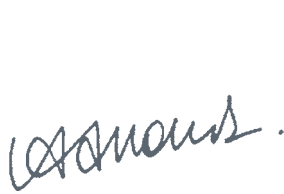
E-mail Address for communication: [NAZLICAA@tskb.com.tr](mailto:NAZLICAA@tskb.com.tr)

The unconsolidated financial report for the year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanations and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared **in thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, and have been independently audited and presented as attached.

4 February 2014



Adnan BALI  
Chairman of Board of Directors



Özcan TÜRKAKIN  
Member of Board of Directors  
and General Manager



Ömer ERYILMAZ  
Executive Vice President in  
Charge of Financial Reporting



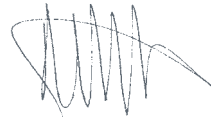
Mustafa GÖKTAŞ  
Head of  
Financial Control Department



M. Baran TUNCER  
Member of Audit Committee



Kemal Serdar DİŞLİ  
Member of Audit Committee



Murat BİLGİÇ  
Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname/Title** : Ayşe Nazlıca/Head of Budget Planning and Investor Relations  
**Telephone Number** : (212) 334 51 94

## Türkiye Sınai Kalkınma Bankası A.Ş.

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Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE

#### GENERAL INFORMATION

##### I. Bank's incorporation date, beginning statue, changes in the existing statue

Türkiye Sınai Kalkınma Bankası A.Ş. (The Bank) was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the statute of the Bank is "Development and Investment Bank". The Bank does not have the license of "Accepting Deposit". Since the establishment date of the Bank, there is no change in its "Development and Investment Bank" status.

##### II. Explanations regarding the Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Bank

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Bank are as follows:

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	650.001	50,00	650.001	-
T. Vakıflar Bankası T.A.O.	108.907	8,38	108.907	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	541.092	41,62	541.092	-
<b>Total</b>	<b>1.300.000</b>	<b>100,00</b>	<b>1.300.000</b>	<b>-</b>
Prior Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION ONE (Continued)

### GENERAL INFORMATION (Continued)

III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares in the Bank

#### The Chairman and The Members of Board of Directors:

Name Surname	Title <sup>(1)</sup>	Date of Appointment	Academic Background	Experience in Banking and Management
Adnan Bali	Chairman of the Board of Directors	15 April 2011	Undergraduate	28
Mehmet Şencan	Vice Chairman of the Board of Directors	7 June 2011	Undergraduate	26
Özcan Türkakın	Member of the Board of Directors and General Manager	31 January 2013	Postgraduate	30
Mustafa Baran Tuncer <sup>(2)</sup>	Member of the Board of Directors and Audit Committee	30 April 2008	Doctorate	34
Durmuş Yılmaz	Member of the Board of Directors	26 March 2012	Postgraduate	34
Ertan Burhanettin Kantar	Member of the Board of Directors	23 March 2005	Undergraduate	25
Murat Bilgiç <sup>(2)</sup>	Member of the Board of Directors and Audit Committee	23 March 2005	Postgraduate	23
Kemal Serdar Dışlı <sup>(2)</sup>	Member of the Board of Directors and Audit Committee	25 May 2007	Undergraduate	26
Uygur Şafak Ögün	Member of the Board of Directors	2 April 2010	Postgraduate	19
Feridun Bilgin	Member of the Board of Directors	12 September 2012	Doctorate	17
Halil Aydoğan <sup>(3)</sup>	Member of the Board of Directors	20 December 2013	Undergraduate	37

#### General Manager and Vice Presidents:

Name Surname	Title/Area of Responsibility	Date of Appointment	Academic Background	Experience in Banking and Management
Özcan Türkakın	General Manager	31 January 2013	Postgraduate	30
A.Orhan Beşkök	Senior Vice President - Technical Services and Financial Institutions	24 January 2002	Postgraduate	31
Burak Akgüç	Vice President - Corporate Marketing and Project Finance	29 December 2004	Undergraduate	24
Ömer Eryılmaz	Vice President - Financial Control, Budget Planning and Investor Relations	27 January 2006	Undergraduate	28
Çiğdem İlçel	Vice President - Treasury and Human Resources	27 January 2006	Undergraduate	24
Ufuk Bala Yücel	Vice President - Loans	25 December 2007	Undergraduate	27
B. Gökhan Çanakpınar	Vice President - Information Technology and Operation	10 January 2012	Undergraduate	24
Ece Börü <sup>(4)</sup>	Vice President - Enterprise Architecture	28 November 2013	Undergraduate	25
Hakan Aygen <sup>(4)</sup>	Vice President - Corporate Finance and Economic Research	28 November 2013	Doctorate	24

<sup>(1)</sup> The shares of above directors in the Bank are symbolic.

<sup>(2)</sup> According to the Communiqué of CMB Serial: IV No:63 members of the Audit Committee are regarded as Independent Members of the Board of Directors.

<sup>(3)</sup> Yonca Koçak, the independent member of the Board of Directors, has resigned from her duty and in the Board of Directors meeting per decree no 2147 on 16 December 2013, Halil Aydoğan was elected to vacant position in accordance with article no.363 of Turkish Commercial Code.

<sup>(4)</sup> Ece Börü was appointed as Vice President of Enterprise Architecture department and Hakan Ülgen was appointed as Vice President of Corporate Finance and Economic Research department in the Board of Directors meeting per decree no 2145 on 28 November 2013.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Akis Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as auditor between the years 2013-2015 and statutory auditor duties of M. Armağan Saraçoğlu and Hamide Esmâ Uygun Çelikten, who were current auditors of the Bank, ended on the General Meeting held on 26 March 2013.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

#### IV. Information about the persons and institutions that have qualified shares in the Bank

T. İş Bankası A.Ş. (İş Bank) Group owns the qualified shares that control the Bank's capital directly or indirectly.

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	650.001	50,00	650.001	-
T. Vakıflar Bankası T.A.O.	108.907	8,38	108.907	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	541.092	41,62	541.092	-
<b>Total</b>	<b>1.300.000</b>	<b>100,00</b>	<b>1.300.000</b>	<b>-</b>

Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

#### V. Summary on the Bank's functions and areas of activity

Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") is the first private investment and development bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, T.R. Government, T.R. Central Bank and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term finance needs of the private sector, the Bank also continues to offer solutions with respect to the newest needs and client demands.

The Bank has opened two branches in Izmir and Ankara in April 2006 to enhance marketing and valuation operations.

#### VI. Differences between the communiqué on preparation of consolidated financial statements of banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş., Terme Metal Sanayi ve Ticaret A.Ş. and Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. are not consolidated since they are not in scope of financial institutions according to related communiqué.

The Bank and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340. The Bank has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

#### Yatırım Finansman Menkul Değerler A.Ş. :

Yatırım Finansman Menkul Değerler A.Ş. ("YFAŞ") was established with the title of Yatırım Finansman A.Ş. and registered in Istanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. Title of the Company was changed into Yatırım Finansman Menkul Değerler A.Ş. by the announcement made in the Turkish Trade Registry Gazette No: 4762 on 2 April 1999. The Company's purpose is to perform capital market operations specified in the Company's main contract in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006.

#### TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

Core business of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The Company was established on 3 February 2006.

#### İş Finansal Kiralama A.Ş. :

İş Finansal Kiralama A.Ş. was established on 8 February 1988 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at Istanbul/Türkiye.

#### İş Faktoring A.Ş. :

İş Faktoring A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The Company is a Türkiye İş Bankası A.Ş. Group entity and the parent is İş Finansal Kiralama A.Ş. with 78,23% shareholding. The direct share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%.

#### İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

The principal business of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is to make long-term investments in companies existing in Turkey or to be established in Turkey, having a development potential and are in need of financing. The Company's headquarters is located at Istanbul/Türkiye.

### VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

### Written policies of the Bank related to compliance to publicly disclosed obligations of the Bank and assessment of accuracy, frequency and compliance of mentioned disclosures

The Bank Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2011. Compliance to publicly disclosed obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Bank accessible from the the Bank corporate website.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Balance Sheet (Statement of Financial Position) at 31 December 2013

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

ASSETS	Note Ref.	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	42.105	302.864	344.969	25.412	107.201	132.613
<b>II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)</b>	(2)	6.655	34.032	40.687	6.997	17.100	24.097
2.1 Trading financial assets		6.655	34.032	40.687	6.997	17.100	24.097
2.1.1 Public sector debt securities		-	-	-	194	-	194
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		6.655	34.032	40.687	6.143	17.100	23.243
2.1.4 Other marketable securities		-	-	-	660	-	660
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	418	6.902	7.320	2.545	35.026	37.571
<b>IV. MONEY MARKET PLACEMENTS</b>		50	-	50	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		50	-	50	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	2.588.430	378.066	2.966.496	2.405.854	474.649	2.880.503
5.1 Share certificates		41.510	2.957	44.467	33.811	2.957	36.768
5.2 Public sector debt securities		1.996.493	332.811	2.329.304	2.127.232	342.798	2.470.030
5.3 Other marketable securities		550.427	42.298	592.725	244.811	128.894	373.705
<b>VI. LOANS</b>	(5)	2.318.337	6.853.905	9.172.242	1.768.357	5.117.237	6.885.594
6.1 Loans		2.318.337	6.853.905	9.172.242	1.768.357	5.117.237	6.885.594
6.1.1 Loans to risk group of the Bank		295.191	170.979	466.170	207.789	129.431	337.220
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.023.146	6.682.926	8.706.072	1.560.568	4.987.806	6.548.374
6.2 Non performing loans		15.792	20.461	36.253	8.357	5.418	13.775
6.3 Specific provisions (-)		(15.792)	(20.461)	(36.253)	(8.357)	(5.418)	(13.775)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	-	-	-	-	-	-
8.1 Public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	152.328	-	152.328	141.127	-	141.127
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		152.328	-	152.328	141.127	-	141.127
9.2.1 Financial investments		150.682	-	150.682	139.601	-	139.601
9.2.2 Non-financial investments		1.646	-	1.646	1.526	-	1.526
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	134.698	-	134.698	136.468	-	136.468
10.1 Unconsolidated financial subsidiaries		134.086	-	134.086	135.856	-	135.856
10.2 Unconsolidated non-financial subsidiaries		612	-	612	612	-	612
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	-	4.518	4.518	-	9.432	9.432
12.1 Finance lease receivables		-	4.573	4.573	-	9.758	9.758
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(55)	(55)	-	(326)	(326)
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	7.335	-	7.335	8.212	-	8.212
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	645	-	645	618	-	618
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		645	-	645	618	-	618
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	(15)	15.036	-	15.036	4.844	-	4.844
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		15.036	-	15.036	4.844	-	4.844
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	19.212	45.621	64.833	12.424	16.095	28.519
<b>TOTAL ASSETS</b>		<b>5.285.249</b>	<b>7.625.908</b>	<b>12.911.157</b>	<b>4.512.858</b>	<b>5.776.740</b>	<b>10.289.598</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Balance Sheet (Statement of Financial Position) at 31 December 2013

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

LIABILITIES	Note Ref.	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	7.277	33.507	40.784	1.565	19.264	20.829
<b>III. FUNDS BORROWED</b>	(3)	-	9.002.255	9.002.255	22.000	6.862.664	6.884.664
<b>IV. MONEY MARKET BALANCES</b>		1.362.794	246.231	1.609.025	1.017.327	237.310	1.254.637
4.1 Interbank money market takings		-	-	-	-	19.458	19.458
4.2 Istanbul Stock Exchange money market takings		3.893	-	3.893	-	-	-
4.3 Funds provided under repurchase agreements	(3)	1.358.901	246.231	1.605.132	1.017.327	217.852	1.235.179
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		946	5.008	5.954	1.909	7.836	9.745
6.1 Borrower funds		946	5.008	5.954	1.909	7.836	9.745
6.2 Others		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		72.777	4.866	77.643	66.380	32.298	98.678
<b>VIII. OTHER LIABILITIES</b>	(4)	-	-	-	-	-	-
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES</b>	(5)	-	-	-	6	-	6
10.1 Finance lease payables		-	-	-	6	2	8
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	(2)	(2)
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(6)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	161.195	1.865	163.060	144.494	-	144.494
12.1 General loan loss provisions		104.331	-	104.331	83.714	-	83.714
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		6.614	-	6.614	6.904	-	6.904
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		50.250	1.865	52.115	53.876	-	53.876
<b>XIII. TAX LIABILITY</b>	(8)	20.993	-	20.993	32.085	-	32.085
13.1 Current tax liability		20.993	-	20.993	32.085	-	32.085
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	(9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	106.759	106.759	-	89.125	89.125
<b>XVI. SHAREHOLDERS' EQUITY</b>		1.869.036	15.648	1.884.684	1.685.950	69.385	1.755.335
16.1 Paid-in capital	(11)	1.300.000	-	1.300.000	1.100.000	-	1.100.000
16.2 Capital reserves		(11.027)	15.648	4.621	91.465	69.385	160.850
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	(20.321)	15.648	(4.673)	55.934	69.385	125.319
16.2.4 Tangible assets revaluation differences	(11)	8.920	-	8.920	35.157	-	35.157
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		374	-	374	374	-	374
16.3 Profit reserves		254.006	-	254.006	187.221	-	187.221
16.3.1 Legal reserves	(11)	156.268	-	156.268	122.876	-	122.876
16.3.2 Statutory reserves		75.641	-	75.641	60.277	-	60.277
16.3.3 Extraordinary reserves	(11)	18.597	-	18.597	1.148	-	1.148
16.3.4 Other profit reserves		3.500	-	3.500	2.920	-	2.920
16.4 Profit or loss		326.057	-	326.057	307.264	-	307.264
16.4.1 Prior years' income/losses		-	-	-	-	-	-
16.4.2 Current year income/loss		326.057	-	326.057	307.264	-	307.264
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.495.018</b>	<b>9.416.139</b>	<b>12.911.157</b>	<b>2.971.716</b>	<b>7.317.882</b>	<b>10.289.598</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Unconsolidated Statement of Off-Balance Sheet Items at 31 December 2013

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

		Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
	Note Ref	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>1.611.464</b>	<b>6.726.766</b>	<b>8.338.230</b>	<b>1.217.771</b>	<b>5.325.467</b>	<b>6.543.238</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>505.921</b>	<b>947.499</b>	<b>1.453.420</b>	<b>290.755</b>	<b>921.802</b>	<b>1.212.557</b>
1.1 Letters of guarantee		505.921	509.466	1.015.387	286.530	349.238	635.768
1.1.1 Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		505.921	509.466	1.015.387	286.530	349.238	635.768
1.2 Bank acceptances		-	-	-	-	-	-
1.2.1 Import letters of acceptance		-	-	-	-	-	-
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	438.033	438.033	-	572.564	572.564
1.3.1 Documentary letters of credit		-	438.033	438.033	-	572.564	572.564
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	-	-	4.225	-	4.225
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>584.686</b>	<b>1.874.009</b>	<b>2.458.695</b>	<b>757.446</b>	<b>1.643.773</b>	<b>2.401.219</b>
2.1 Irrevocable commitments		221.292	363.653	584.945	15.346	22.102	37.448
2.1.1 Forward asset purchase and sales commitments		213.594	297.751	511.345	2.770	7.405	10.175
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	120	-	120
2.1.4 Loan granting commitments		-	4.805	4.805	-	4.007	4.007
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		-	-	-	-	-	-
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		7.698	61.097	68.795	12.456	10.690	23.146
2.2 Revocable commitments		363.394	1.510.356	1.873.750	742.100	1.621.671	2.363.771
2.2.1 Revocable loan granting commitments		363.394	1.510.356	1.873.750	742.100	1.621.671	2.363.771
2.2.2 Other revocable commitments		-	-	-	-	-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Statement of Off-Balance Sheet Items at 31 December 2013

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

	Note Ref	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>520.857</b>	<b>3.905.258</b>	<b>4.426.115</b>	<b>169.570</b>	<b>2.759.892</b>	<b>2.929.462</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		520.857	3.905.258	4.426.115	169.570	2.759.892	2.929.462
3.2.1 Forward foreign currency buy/sell transactions		19.461	140.956	160.417	110.621	364.896	475.517
3.2.1.1 Forward foreign currency transactions-buy		-	81.192	81.192	55.432	182.456	237.888
3.2.1.2 Forward foreign currency transactions-sell		19.461	59.764	79.225	55.189	182.440	237.629
3.2.2 Swap transactions related to f.c. and interest rates		130.408	3.330.530	3.460.938	27.481	2.275.575	2.303.056
3.2.2.1 Foreign currency swaps-buy		47.966	427.251	475.217	13.411	318.374	331.785
3.2.2.2 Foreign currency swaps-sell		33.050	442.651	475.701	14.070	311.327	325.397
3.2.2.3 Interest rate swaps-buy		24.696	1.230.314	1.255.010	-	822.937	822.937
3.2.2.4 Interest rate swaps-sell		24.696	1.230.314	1.255.010	-	822.937	822.937
3.2.3 Foreign currency, interest rate and securities options		370.988	433.772	804.760	31.468	119.421	150.889
3.2.3.1 Foreign currency options-buy		187.344	205.442	392.786	15.734	43.896	59.630
3.2.3.2 Foreign currency options-sell		183.644	209.840	393.484	15.734	44.325	60.059
3.2.3.3 Interest rate options-buy		-	9.245	9.245	-	15.600	15.600
3.2.3.4 Interest rate options-sell		-	9.245	9.245	-	15.600	15.600
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>23.442.801</b>	<b>95.333.522</b>	<b>118.776.323</b>	<b>5.394.070</b>	<b>70.536.520</b>	<b>75.930.590</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1.547.507</b>	<b>256.120</b>	<b>1.803.627</b>	<b>1.260.870</b>	<b>264.060</b>	<b>1.524.930</b>
4.1 Customers' securities held		-	-	-	8.619	-	8.619
4.2 Investment securities held in custody		118.763	256.120	374.883	270.138	264.060	534.198
4.3 Checks received for collection		-	-	-	-	-	-
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		517	-	517	3.335	-	3.335
4.8 Custodians		1.428.227	-	1.428.227	978.778	-	978.778
<b>V. PLEDGED ITEMS</b>		<b>11.539.856</b>	<b>58.279.203</b>	<b>69.819.059</b>	<b>3.179.702</b>	<b>46.066.494</b>	<b>49.246.196</b>
5.1 Marketable securities		392.936	2.677.590	3.070.526	2.935	1.208.830	1.211.765
5.2 Guarantee notes		85.396	1.587.404	1.672.800	52.622	1.299.865	1.352.487
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		416.410	21.147.243	21.563.653	90.594	16.297.684	16.388.278
5.6 Other pledged items		10.645.114	32.866.966	43.512.080	3.033.551	27.260.115	30.293.666
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>10.355.438</b>	<b>36.798.199</b>	<b>47.153.637</b>	<b>953.498</b>	<b>24.205.966</b>	<b>25.159.464</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>25.054.265</b>	<b>102.060.288</b>	<b>127.114.553</b>	<b>6.611.841</b>	<b>75.861.987</b>	<b>82.473.828</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Income Statement for the Year Ended 31 December 2013

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

	Note Ref.	Audited Current Period 1 January 2013 - 31 December 2013	Audited Prior Period 1 January 2012 - 31 December 2012
<b>I. INTEREST INCOME</b>	(1)	<b>637.646</b>	<b>589.384</b>
1.1 Interest on loans		394.579	334.970
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		292	306
1.4 Interest received from money market placements		13.988	6.615
1.5 Interest received from marketable securities portfolio		228.348	246.299
1.5.1 Financial assets held for trading		346	1.279
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		228.002	237.327
1.5.4 Investments held-to-maturity		-	7.693
1.6 Finance lease income		306	1.066
1.7 Other interest income		133	128
<b>II. INTEREST EXPENSES</b>	(2)	<b>(151.309)</b>	<b>(158.863)</b>
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(84.049)	(90.461)
2.3 Interest on money market borrowings		(67.213)	(68.285)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(47)	(117)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>486.337</b>	<b>430.521</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>10.705</b>	<b>12.223</b>
4.1 Fees and commissions received		11.668	13.242
4.1.1 Non-cash loans		7.407	10.115
4.1.2 Other		4.261	3.127
4.2 Fees and commissions paid		(963)	(1.019)
4.2.1 Non-cash loans		(3)	(3)
4.2.2 Other		(960)	(1.016)
<b>V. DIVIDEND INCOME</b>	(3)	<b>30.315</b>	<b>27.711</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>(12.840)</b>	<b>280</b>
6.1 Securities trading gains/(losses)		3.625	(1.792)
6.2 Derivative financial instruments gains/losses		(8.554)	9.579
6.3 Foreign exchange gains/losses (net)		(7.911)	(7.507)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>7.805</b>	<b>18.707</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>522.322</b>	<b>489.442</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(48.238)</b>	<b>(34.175)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(73.190)</b>	<b>(72.474)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>400.894</b>	<b>382.793</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT/(LOSS) ON EQUITY METHOD</b>		-	-
<b>XIV. GAIN/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>400.894</b>	<b>382.793</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(74.837)</b>	<b>(75.529)</b>
16.1 Provision for current income taxes		(55.093)	(94.286)
16.2 Provision for deferred taxes		(19.744)	18.757
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>326.057</b>	<b>307.264</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>326.057</b>	<b>307.264</b>
Earnings/(losses) per share		0,251	0,236

The accompanying notes are an integral part of these unconsolidated financial statements.



Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Statement of Comprehensive Income for the Year Ended 31 December 2013

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

	Audited Current Period 1 January 2013- 31 December 2013	Audited Current Period 1 January 2012- 31 December 2012
<b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(152.615)	147.171
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)	-	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	(6.734)	13.498
IX. DEFERRED TAX OF VALUATION DIFFERENCES	29.936	(28.053)
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(129.413)	132.616
XI. CURRENT YEAR PROFIT/LOSS	326.057	307.264
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	6.423	(756)
11.2 Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	319.634	308.020
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>196.644</b>	<b>439.880</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Statement of Changes in Equity for the Year Ended 31 December 2013

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

CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Effect of Inflation on Paid in Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves
<b>Prior Period - 31 December 2012</b>								
I. Opening Balance		800.000	374	-	-	95.361	47.510	140.375
<b>Changes during the period</b>								
II. Increase/Decrease related to merger		-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-
IV. Hedging (Effective portion)		-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-
XII. Capital increase		300.000	-	-	-	-	-	(163.000)
12.1 Cash		-	-	-	-	-	-	-
12.2 Internal sources		300.000	-	-	-	-	-	(163.000)
XIII. Share issuance		-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	175
XVII. Period net income		-	-	-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	27.515	12.767	23.598
18.1 Dividends distributed		-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	27.515	12.767	23.598
18.3 Other		-	-	-	-	-	-	-
<b>Closing Balance</b>		<b>1.100.000</b>	<b>374</b>	<b>-</b>	<b>-</b>	<b>122.876</b>	<b>60.277</b>	<b>1.148</b>
<b>Current Period - 31 December 2013</b>								
I. Opening Balance		1.100.000	374	-	-	122.876	60.277	1.148
<b>Changes during the period</b>								
II. Increase/Decrease related to merger		-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-
IV. Hedging (Effective portion)		-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	28.379
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-
XII. Capital increase	(1)	200.000	-	-	-	-	-	(32.000)
12.1 Cash		-	-	-	-	-	-	-
12.2 Internal sources		200.000	-	-	-	-	-	(32.000)
XIII. Share issuance		-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-
XVII. Period net income		-	-	-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	33.392	15.364	21.070
18.1 Dividends distributed		-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	33.392	15.364	21.070
18.3 Other		-	-	-	-	-	-	-
<b>Closing Balance</b>		<b>1.300.000</b>	<b>374</b>	<b>-</b>	<b>-</b>	<b>156.268</b>	<b>75.641</b>	<b>18.597</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Other Reserves	Current Period Net Profit/ Loss	Prior Period Net Profit/ Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
2.920	-	255.342	(7.297)	31.174	-	-	-	1.365.759	-	1.365.759
-	-	-	-	-	-	-	-	-	-	-
-	-	-	132.616	-	-	-	-	132.616	-	132.616
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(3.983)	-	3.983	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(137.000)	-	-	-	-	-	-	-	-
-	-	(137.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	175	-	175
-	307.264	-	-	-	-	-	-	307.264	-	307.264
-	-	(114.359)	-	-	-	-	-	(50.479)	-	(50.479)
-	-	(50.479)	-	-	-	-	-	(50.479)	-	(50.479)
-	-	(63.880)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2.920	307.264	-	125.319	35.157	-	-	-	1.755.335	-	1.755.335
2.920	-	307.264	125.319	35.157	-	-	-	1.755.335	-	1.755.335
-	-	-	-	-	-	-	-	-	-	-
-	-	-	(129.992)	-	-	-	-	(129.992)	-	(129.992)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(2.142)	-	(26.237)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(168.000)	-	-	-	-	-	-	-	-
-	-	(168.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
580	-	-	-	-	-	-	-	580	-	580
-	326.057	-	-	-	-	-	-	326.057	-	326.057
-	-	(137.122)	-	-	-	-	-	(67.296)	-	(67.296)
-	-	(67.296)	-	-	-	-	-	(67.296)	-	(67.296)
-	-	(69.826)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
3.500	326.057	-	(4.673)	8.920	-	-	-	1.884.684	-	1.884.684

Türkiye Sınai Kalkınma Bankası A.Ş.

# Unconsolidated Statement of Cash Flows for the Year Ended 31 December 2013

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

	Note Ref.	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>566.364</b>	<b>209.782</b>
1.1.1 Interest received		721.466	469.762
1.1.2 Interest paid		(148.727)	(161.536)
1.1.3 Dividends received		9.169	4.957
1.1.4 Fees and commissions received		11.668	13.242
1.1.5 Other income	(1)	7.555	28.286
1.1.6 Collections from previously written off loans		1.276	7.642
1.1.7 Payments to personnel and service suppliers		(55.486)	(46.084)
1.1.8 Taxes paid		(67.971)	(76.830)
1.1.9 Others	(1)	87.414	(29.657)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(187.889)</b>	<b>41.054</b>
1.2.1 Net (increase) decrease in financial assets		832	58.779
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(1.496.002)	(983.284)
1.2.5 Net (increase) decrease in other assets	(1)	(227.717)	62.750
1.2.6 Net increase (decrease) in bank deposits		-	-
1.2.7 Net increase (decrease) in other deposits		-	-
1.2.8 Net increase (decrease) in funds borrowed		1.202.057	583.579
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	332.941	319.230
<b>I. Net cash provided by/(used in) banking operations</b>		<b>378.475</b>	<b>250.836</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided by/(used in) investing activities</b>		<b>(298.720)</b>	<b>(199.655)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(120)	(420)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3 Fixed asset purchases	(2)	(662)	(912)
2.4 Fixed asset sales	(3)	1.197	3.325
2.5 Cash paid for purchase of financial assets available for sale		(1.297.455)	(297.030)
2.6 Cash obtained from sale of financial assets available for sale		998.610	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities <sup>(*)</sup>		-	95.787
2.9 Others	(2)	(290)	(405)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided by/(used in) financing activities</b>		<b>(67.296)</b>	<b>(50.481)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	(2)
3.3 Capital increase		-	-
3.4 Dividends paid		(67.296)	(50.479)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>7.536</b>	<b>(2.820)</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		<b>19.995</b>	<b>(2.120)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>65.566</b>	<b>67.686</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(4)	<b>85.561</b>	<b>65.566</b>

(\*) Prior period amount comprises of the Bank's held to maturity investment that was redeemed on 15 February 2012.

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Statement of Profit Distribution for the Year Ended 31 December 2013

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

	Audited Current Period 31 December 2013 <sup>(*)</sup>	Audited Prior Period 31 December 2012
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	400.894	382.793
1.2 TAXES AND DUTIES PAYABLE	(74.837)	(75.529)
1.2.1 Corporate Tax (Income tax)	(55.093)	(94.286)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(19.744)	18.757
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>326.057</b>	<b>307.264</b>
1.3 PRIOR YEARS LOSSES (-) <sup>(*)</sup>	-	-
1.4 FIRST LEGAL RESERVES (-)	-	15.363
1.5 OTHER STATUTORY RESERVES (-)	-	15.364
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>326.057</b>	<b>276.537</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	66.000
1.6.1 To owners of ordinary shares	-	66.000
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	6.253
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.043
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	162.000
1.9.1 To owners of ordinary shares	-	162.000
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	18.029
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	21.070
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	2.142
<b>II. DISTRIBUTION OF RESERVES</b>	-	-
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	326.057	307.264
3.2 TO OWNERS OF ORDINARY SHARES (%)	25,08	27,93
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	288.000
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,73
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(\*)</sup> Since the Board of Directors has not yet prepared any proposal for profit distribution relating to the year 2013, profit available for distribution for the year 2013 was presented only.

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE

#### ACCOUNTING POLICIES

##### I. Basis of Presentation

###### I.a Presentation of financial statements:

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency.

Amounts in the unconsolidated financial statements, the underlying explanations and disclosures are expressed in Thousands of Turkish Lira unless otherwise stated.

###### Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the unconsolidated financial position and unconsolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

###### I.b The valuation principles used in the preparation of the financial statements

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXII.

###### I.c The accounting policies for the correct understanding of the financial statements

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

#### II. Explanations on usage strategy of financial assets and foreign currency transactions

The main sources of the funds of the Bank have variable interest rates. The financial balances are monitored frequently and constant and variable interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Bank have the flexibility of reflecting the changes in market interest rates to customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtedness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. When taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Bank's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency available for sale securities:

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the expected depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of cross currency rates.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

To mitigate the interest rate risk, a balanced asset composition is established in compliance with the structure of fixed and variable rate funding resources.

The hedging strategies for other foreign exchange risk exposures:

A stable foreign exchange position strategy is implemented: To be secured from cross currency risk, the current foreign exchange position is taken by considering a specific basket of foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

#### III. Explanations on forward and option contracts and derivative instruments

Türkiye Sınai Kalkınma Bankası A.Ş. is exposed to financial risk which depend on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate.

Mainly derivative instruments used by the Bank are foreign currency forwards, swaps, futures trading, futures and option agreements.

The derivative instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Some of the derivative instruments, although economic hedges, are accounted for as trading transactions since they are not qualified to be hedging instruments as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses are reflected in the income statement on these derivative instruments.

According to Capital Markets Board (CMB) legislation, Intermediary Institution warrants are capital market instruments that give the holder the right, but not the obligation, to buy or to sell an underlying asset at a specified price on or before a predetermined date where such right is exercised by registered deliver or cash settlement and these warrants are called securitized derivative transactions. In this context, the Bank that issued warrants on foreign currencies, has accounted the costs of issued warrant on liabilities. Warrants are valued on a daily basis over the market value created by the market maker and valuation differences are recorded in the income statement. On withdrawal of the issued warrants, the balance is netted-off with the cost on the liabilities and gain/losses are associated with the income statement. On the other hand, issued warrant is recorded on the statement of off-balance sheet with its nominal value.

#### IV. Explanations on interest income and expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value).

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

#### V. Explanations on fees and commission income and expenses

Fees and commissions received from cash loans, that are not an integral part of the effective interest rate, and fees for various banking services are recorded as income when collected. Fees and commissions paid for the funds borrowed, which are not integral parts of the effective interest rate of the funds borrowed, are recorded as expense on the date of the payment. As of 31 December 2013, all other income and expenses, fee and commission income and expenses, including commissions received from non-cash loans are recorded on an accrual basis.

#### VI. Explanations on financial assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the both of the Bank's trading activities and operations. Risks related with these instruments constitutes majority of total risks. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. The Bank trades these instruments on behalf of its customers and on its own behalf.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the income statement, gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are explained below.

#### Cash, Banks and Other Financial Institutions:

Cash and cash equivalents comprise cash in vault and foreign currency cash. Foreign currency cash and foreign currency deposits are reflected to balance sheet in TL which is translated in accordance with prevalent exchange rate on reporting date. The book values of these assets approximate their fair values.

#### Marketable Securities:

The Bank classifies its marketable securities in 3 groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at inception as financial assets at fair value through profit or loss by the Bank. The Bank uses such classification above when permitted or for the purposes of providing a more proper disclosure.

In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfilment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any. Interest income earned from held-to-maturity investments is recognized as interest income on income statement.

As of the reporting date, the Bank has begun to calculate internal rate of return of the CPI indexed marketable securities considering expected inflation index of future cash flows. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements.

#### Explanations on investments in associates and subsidiaries:

Investments in associates and subsidiaries are recorded within the scope of the "Turkish Accounting Standard No.39: Financial Instruments: Recognition and Measurement" (TAS 39). Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market) are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment provisions.

#### Loans:

Loans are financial assets which have fixed payment terms and are not traded.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement as well as their classification to non-performing loans as per the related regulations. The collections made related to loans including those on non-performing loans for which provision is made in the current period are recorded in "Provision for Loans and Other Receivables (including received from Loans and receivables with doubtful collectability)" and "Interest Received from Non-performing Loans" account.

Releases of loan loss provisions are recorded by reversing the provisions booked during the year and the collections made related to loan losses previously accounted for are recorded to collections related to the prior period expenses.

#### VII. Explanations on impairment on financial assets

At each reporting date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event ("loss event") after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Loans are classified and followed in line with the provisions of the "Regulation on Identification of Loans and Other Receivables and Provisioning against Them", published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account.

Other than specific provisions, the Bank provides "general provision" for loans and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables.

Subsequent to the change in the regulation on "Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 27947 dated 28 May 2011; in case of the extension of the payment plan of the loans which are followed under loans and receivables, the general loan loss provision ratio for standard and for the first group loans and receivables should not be less than 5 times of the general provision ratio and for the second group loans and receivables should not be less than 2,5 times of the general provision ratio.

As a consequence of the regulation published in Official Gazette No. 28789 dated 8 October 2013 amending the "Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", for the banks, of which the consumer loans exceed twenty five percent of total loans, general provision ratio is four percent for consumer loans which are followed under standard loans and receivables except housing loans; and is eight percent for the loans under close monitoring except housing loans. Since the consumer loans of the Bank are composed of personnel loans as of 31 December 2013 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated. As mentioned in the regulations on the same date, Banks could apply general loan loss provision ratios is zero percent for cash and non-cash export loans which are followed standard loans; and is five per mille and one per mille for cash and non-cash loans respectively which is used to small and medium size enterprise. The Bank has started to calculate general loan loss provision thereby using in question ratios after published date of the regulations.

#### VIII. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

#### IX. Explanations on sales and repurchase agreements and lending of securities

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements-TL" and "Funds Provided under Repurchase Agreements-FC" accounts.

The repurchase agreements of the Bank are based on the Eurobonds issued by Republic of Turkey Undersecretariat of Treasury and government bonds. In the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in "Receivables from Reverse Repurchase Agreements" account in the balance sheet.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### X. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a division that is either disposed or held for sale. Results of discontinued operations are included separately in the income statement.

##### XI. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

As of reporting date, The Bank has no goodwill on the unconsolidated financial statements.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

##### XII. Explanations on tangible assets

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value. Normal maintenance and repair expenditures are expensed.

There is no pledge, mortgage or any other lien on tangible assets.

Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Depreciation rates and estimated useful lives of tangible assets are as follows.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashboxes	4-25	4-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

#### XIII. Explanations on leasing transactions

##### *The Bank as Lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

##### *The Bank as Lessee*

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Bank's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

#### XIV. Explanations on provisions and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criterias did not compose, the Bank has disclosed mentioned issues in note to financial statements. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

##### *Explanations on contingent assets*

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are recognised in the financial statements of the period in which the change occurred.

#### XV. Explanations on liabilities regarding employee benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. In retirement and involuntarily leaving, the Bank records the present value of the defined benefit obligation. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

Employees of the Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No:2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No:28636 and transfer need to be completed until 8 May 2014.

However, the Main Opposition Party has appealed to the Constitutional Court on 19 June 2008 for cancellation of some articles, including the first paragraph of 20. Temporary article of the Law, and requested them to be ineffective until the case of revocatory action is finalized. The application of the Main Opposition Party was rejected by the Higher Court with the resolution dated 30 March 2011.

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2013 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 24 January 2014, as of 31 December 2013, there is no technical or actual shortage requiring provision.

In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

#### XVI. Explanations on taxation

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

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

#### Transfer pricing

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

#### XVII. Additional explanations on borrowings

Borrowings are recognized at initial cost on transaction date and carried at amortized cost using effective interest method. In the accompanying financial statements, foreign currency debt instruments are valued using foreign exchange rates of the Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

All other borrowing costs are recorded to the income statement at the period they are incurred.

#### XVIII. Explanations on share certificates issued

In the current period, in the meeting of the General Assembly held on 26 March 2013, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.100.000 to TL 1.300.000 by TL 200.000. In respect of the resolution of the General Assembly, TL 168.000 of this increase will be incorporated from the profit of the year 2012, TL 32.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 3 May 2013, has been published in the Turkish Trade Registry Gazette No: 8351 on 27 June 2013.

In the prior period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011, TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

#### XIX. Explanations on acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

#### XX. Explanations on government incentives

The Bank does not use government incentives.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XXI. Explanations on segment reporting

In accordance with its mission, the Bank mainly operates in investment and corporate banking segments.

Corporate Marketing Management and Project Finance Management operations are included in the corporate banking operations. The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Among the services given to corporate customers are; TL and foreign exchange operating loans, investment credits, project financing, letters of credit and letters of guarantees.

Operating income of investment banking are comprised of ; income that operations of Treasury, Corporate Finance, Research, Financial Institutions and Marketable Securities Managements. Under the investment banking activities, portfolio management for corporate and individual customers, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

The segmental allocation of the Bank's net profit, total assets and total liabilities are shown below.

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	298.377	187.960	-	486.337
Net Fees and Commission Income	8.001	2.348	356	10.705
Other Income	7.614	-	38.135	45.749
Other Expense	(72.444)	(31.637)	(37.816)	(141.897)
Profit Before Tax	241.548	158.671	675	400.894
Tax Provision				(74.837)
<b>Net Profit</b>				<b>326.057</b>
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	9.176.760	3.359.522	87.849	12.624.131
Investment in Associates and Subsidiaries	-	-	287.026	287.026
<b>Total Assets</b>	<b>9.176.760</b>	<b>3.359.522</b>	<b>374.875</b>	<b>12.911.157</b>
Segment Liabilities	8.905.217	1.859.560	261.696	11.026.473
Shareholders' Equity	-	-	1.884.684	1.884.684
<b>Total Liabilities</b>	<b>8.905.217</b>	<b>1.859.560</b>	<b>2.146.380</b>	<b>12.911.157</b>
Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	242.277	188.244	-	430.521
Net Fees and Commission Income	10.185	1.751	287	12.223
Other Income	7.010	10.375	34.041	51.426
Other Expense	(58.668)	(23.464)	(29.245)	(111.377)
Profit Before Tax	200.804	176.906	5.083	382.793
Tax Provision				(75.529)
<b>Net Profit</b>				<b>307.264</b>
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	6.895.026	3.074.784	42.193	10.012.003
Investment in Associates and Subsidiaries	-	-	277.595	277.595
<b>Total Assets</b>	<b>6.895.026</b>	<b>3.074.784</b>	<b>319.788</b>	<b>10.289.598</b>
Segment Liabilities	6.718.858	1.540.142	275.263	8.534.263
Shareholders' Equity	-	-	1.755.335	1.755.335
<b>Total Liabilities</b>	<b>6.718.858</b>	<b>1.540.142</b>	<b>2.030.598</b>	<b>10.289.598</b>

#### XXII. Explanations on other matters

As a result amendments to TAS 19 (2011) all actuarial differences are recognised in the statement of comprehensive income.

Prior to these amendments, all actuarial differences had been recognised in profit or loss. As the amendments do not have significant impact on the comparative financial statements for the year ended 31 December 2012, they have not been restated.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

##### I. Explanations related to the unconsolidated capital adequacy standard ratio

Since 1 July 2012, capital adequacy standard ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on 28 June 2012 in the Official Gazette numbered 28337. In this context, credit and market risk are calculated based on the Standardised Approach and the operational risk is calculated based on the Basic Indicator Approach. In the calculation process of credit risk, loans are classified in the related risk weight by taking into account the risk portfolio types, ratings and credit risk mitigation techniques. The Bank uses "comprehensive approach" for trading book items in the credit mitigation process.

As of 31 December 2013, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 18,15%.

##### Information related to the unconsolidated capital adequacy standard ratio

Current Period	Risk Weights <sup>(*)</sup>						
	The Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.334.350</b>	<b>633.468</b>	<b>2.348.062</b>	<b>-</b>	<b>8.955.146</b>	<b>13</b>	<b>35</b>
<b>Risk Types</b>							
Contingent and Non-Contingent Claims on Sovereigns	2.334.314	-	368.699	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	1.500	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	319	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	419.010	783.400	-	-	-	-
Contingent and Non-Contingent Claims on Corporates	-	214.139	777.505	-	8.483.099	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	418.458	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	13	35
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-	-	-
Other Claims	36	-	-	-	364.538	-	-

<sup>(\*)</sup> The Bank has no credit risk related to 10% and 1250% risk weight.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Prior Period	Risk Weights <sup>(*)</sup>						
	The Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.275.521</b>	<b>136.510</b>	<b>1.598.550</b>	<b>14.025</b>	<b>7.316.578</b>	<b>8</b>	<b>8</b>
<b>Risk Types</b>							
Contingent and Non-Contingent Claims on Sovereigns	2.270.481	-	345.062	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	2.436	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	136.510	1.252.410	-	83.638	-	-
Contingent and Non-Contingent Claims on Corporates	-	-	-	-	6.708.708	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	14.025	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	1.078	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	8	8
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	-	-	-	-	184.038	-	-
Other Claims	5.040	-	-	-	337.758	-	-

(\*) The Bank has no credit risk related to 10% and 1250% risk weight.

#### Summary information related to the capital adequacy standard ratio

	Current Period	Prior Period
Capital Requirement for Credit Risk (Amount subject to Credit Risk*0,08) (CRCR)	820.477	652.296
Capital Requirement for Market Risk (CRMR)	15.916	15.460
Capital Requirement for Operational Risk (CROR)	56.851	47.693
Shareholders' Equity	2.026.807	1.820.009
Shareholders' Equity/((CRCR+CRMR+CROR) *12,5)*100	18,15	20,35

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the shareholders' equity

CORE CAPITAL	Current Period	Prior Period
Paid-in Capital	1.300.000	1.100.000
Nominal Capital	1.300.000	1.100.000
Capital Commitments (-)	-	-
Inflation Adjustment to Share Capital	374	374
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	254.006	187.221
Inflation Adjustment on Legal Reserves, Statutory Reserves and Extraordinary Reserves	-	-
Profit	326.057	307.264
Current Period Profit	326.057	307.264
Prior Years' Profits	-	-
Provisions for Possible Losses up to 25% of Core Capital	-	-
Profit on sale of associates, subsidiaries and buildings	8.920	35.157
Primary subordinated loans	-	-
Loss that is not covered with reserves (-)	-	-
Net current period loss	-	-
Prior period loss	-	-
Leasehold improvements (-)	(111)	(198)
Intangible assets (-)	(645)	(618)
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
<b>Total Core Capital</b>	<b>1.888.601</b>	<b>1.629.200</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the shareholders' equity (continued)

SUPPLEMENTARY CAPITAL	Current Period	Prior Period
General Loan Loss Provisions	104.331	83.714
45% of the Revaluation Reserve for Movable Fixed Assets	-	-
45% of the of Revaluation Reserve for Properties	-	-
Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control	-	-
Primary Subordinated Loans Excluded in the Calculation of the Core Capital	-	-
Secondary Subordinated Loans <sup>(*)</sup>	42.400	53.040
45% of the Marketable Securities Value Increase Fund <sup>(**)</sup>	(8.169)	54.429
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>138.562</b>	<b>191.183</b>
<b>CAPITAL</b>	<b>2.027.163</b>	<b>1.820.383</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(356)</b>	<b>(374)</b>
Shareholdings in Non-consolidated Banks and Financial Institutions	-	-
Loans Extended to Banks, Financial Institutions (Domestic and Abroad) and Qualified Shareholders, Like Secondary Subordinated Loan and Debt Instruments Purchased from These Institutions Issued, Like Primary and Secondary Subordinated Loan	-	-
Banks and Financial Institutions to which are Accounted for Under Equity Method, but, are not Consolidated	-	-
Loans Extended Being Non-compliant with Articles 50 and 51 of the Law	-	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	(356)	(374)
Securitisation Positions Deducted from Equity Preferred	-	-
Other	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2.026.807</b>	<b>1.820.009</b>

<sup>(\*)</sup> According to BRSA's " Regulation on Equity of Banks", 40% amount of the Bank's Subordinated Loan is included in the calculation of supplementary capital if the maturity of the subordinated loan is less than 5 years.

<sup>(\*\*)</sup> 45% of marketable securities value increase fund is included in computation if marketable securities value increase fund is positive, 100% is included if negative.

#### The approaches used for internal capital adequacy assessment in terms of current and future activities

The evaluation of the Bank's internal capital adequacy assessment in terms of current and future activities is carried out within the framework of the principles identified at Capital Adequacy Policy approved in the Board of Directors meeting held on 28 September 2012.

The purpose of the internal assessment process of capital requirements is to identify and evaluate all the risks both included and not included in the calculations of regulatory capital requirement, and and by this means, to ensure keeping sufficient capital to cover these risks and to ensure the application of appropriate risk management techniques.

The Bank's internal assessment process is risk-oriented and future-oriented. Current and future capital requirements are analyzed in accordance with the Bank's strategic objectives and anticipated capital costs, target capital levels and capital resources are taken into account. Through the process of internal assessment, a general capital level and assessment are exhibited, the results and findings of the internal assessment process are taken into consideration in the process of assessment of the Bank's strategy and risk appetite.

Within the scope of the process, for the three-year period covering the years 2013-2015, the Bank's capital requirement and internal capital adequacy is evaluated, based on the the Bank's asset structure and risk profile, the expectations on macro-economic factors such as economic growth and foreign exchange rates, and stress scenarios, In this context, interest rate risk in the banking book, concentration risk for sectors, countries and economic groups within credit risk, liquidity risk and other risks including reputation risk, strategic risk, etc., as well as credit risk, market risk and operational risk which are contained in the calculation of the regulatory capital requirement, are included.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically.

Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in line with Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" ("Communiqué on Reserves"). Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Bank's credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

The limits are also identified for the transactions made with the banks. The credit risk is managed by considering the creditworthiness and the limits of counter parties.

In accordance with Communiqué on Reserves;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, "Specific Provision" is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, "General Provision" is calculated for these loans.

*Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types*

Current Period	Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
Contingent and Non-Contingent Claims on Sovereigns	3.130.944	3.002.983
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	7.515	9.826
Contingent and Non-Contingent Claims on Multilateral Development Banks	1.593	133
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.843.332	2.233.527
Contingent and Non-Contingent Claims on Corporates	11.639.763	10.646.962
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	30.973
Contingent and Non-Contingent Claims Secured by Real Estate Property	418.458	135.809
Past Due Loans	-	-
Higher-Risk Categories Defined by Agency	48	26
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	106.009	571.907
Other Claims	374.075	382.732

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

<sup>(\*\*)</sup> Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from 1 January 2013 to the period end.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Prior Period	Risk Amount (*)	Average Risk Amount (**)
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	3.115.058
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	16.510	15.014
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1.926.764	1.867.262
Contingent and Non-Contingent Claims on Corporates	9.069.882	9.220.852
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	84.076	70.628
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	180
Past Due Loans	-	182
Higher-Risk Categories Defined by Agency	16	14
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	307.590	541.399
Other Claims	342.798	328.404

(\*) Includes total risk amounts before the effect of credit risk mitigation.

(\*\*) Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the R Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank (1 July 2012) to the period end.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the Bank's management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole.

If exposed to a significant degree of credit risk, the Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts.

The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans.

Rescheduled loans are monitored within the Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications.

The Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern.

The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks.

The Bank being an active participant in international banking market is not exposed to a significant degree of credit risk when evaluated with the financial operations of other financial institutions.

The first 100 and 200 largest cash loans constitute 85,44% and 98,48% of the total cash loans portfolio of the Bank respectively (31 December 2012: 84,17% and 98,24%).

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Bank respectively (31 December 2012: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 84,41% and 97,83% of the total on and off balance sheet accounts of the Bank respectively (31 December 2012: 83,32% and 97,59%).

The Bank calculated the general loan loss provision of TL 104.331 (31 December 2012: TL 83.714).



Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

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## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Profile of Significant Exposures in Major Regions

Risk Types <sup>(*)</sup>								
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	
<b>Current Period</b>								
Domestic	2.687.976	-	464	-	-	952.900	9.280.606	
European Union (EU) Countries	-	-	-	319	-	164.428	-	
OECD Countries <sup>(**)</sup>	-	-	-	-	-	1.708	-	
Off-Shore Banking Regions	-	-	-	-	-	-	22.359	
USA, Canada	-	-	-	-	-	49.900	-	
Other Countries	-	-	-	-	-	33.473	49.145	
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	122.631	
Unallocated Assets/Liabilities <sup>(***)</sup>	15.037	-	1.036	-	-	1	2	
<b>Total</b>	<b>2.703.013</b>	<b>-</b>	<b>1.500</b>	<b>319</b>	<b>-</b>	<b>1.202.410</b>	<b>9.474.743</b>	

<sup>(\*)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.<sup>(\*\*)</sup> Includes OECD countries other than EU countries, USA and Canada<sup>(\*\*\*)</sup> Includes asset and liability items that cannot be allocated on a consistent basis

Risk Types <sup>(*)</sup>								
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	
<b>Prior Period</b>								
Domestic	2.615.543	-	2.436	-	-	1.193.383	6.708.707	
European Union (EU) Countries	-	-	-	-	-	33.894	-	
OECD Countries <sup>(**)</sup>	-	-	-	-	-	603	-	
Off-Shore Banking Regions	-	-	-	-	-	83.638	-	
USA, Canada	-	-	-	-	-	36.050	-	
Other Countries	-	-	-	-	-	27.916	-	
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	97.074	-	
Unallocated Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	1	
<b>Total</b>	<b>2.615.543</b>	<b>-</b>	<b>2.436</b>	<b>-</b>	<b>-</b>	<b>1.472.558</b>	<b>6.708.708</b>	

<sup>(\*)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.<sup>(\*\*)</sup> Includes OECD countries other than EU countries, USA and Canada.<sup>(\*\*\*)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
-	315.648	-	48	-	-	-	92.332	42.721	13.372.695
-	-	-	-	-	-	-	-	2.957	167.704
-	-	-	-	-	-	-	-	-	1.708
-	-	-	-	-	-	-	-	-	22.359
-	-	-	-	-	-	-	-	-	49.900
-	-	-	-	-	-	-	-	-	82.618
-	102.810	-	-	-	-	-	13.677	292.975	532.093
-	-	-	-	-	-	-	-	25.921	41.997
-	418.458	-	48	-	-	-	106.009	364.574	14.271.074

Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
14.009	1.078	-	16	-	-	-	81.676	24.104	10.640.952
-	-	-	-	-	-	-	-	2.957	36.851
-	-	-	-	-	-	-	-	-	603
-	-	-	-	-	-	-	-	-	83.638
-	-	-	-	-	-	-	-	-	36.050
-	-	-	-	-	-	-	-	-	27.916
-	-	-	-	-	-	-	102.362	283.697	483.133
16	-	-	-	-	-	-	-	32.040	32.057
14.025	1.078	-	16	-	-	-	184.038	342.798	11.341.200

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Risk profile by sectors or counterparties

Risk Types <sup>(*)</sup>									
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	
<b>Current Period</b>									
Agriculture	-	-	-	-	-	-	5.324	-	
Farming and Stockbreeding	-	-	-	-	-	-	5.324	-	
Forestry	-	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	9.218	6.575.103	-	
Mining and Quarrying	-	-	-	-	-	-	79.834	-	
Production	-	-	-	-	-	1.255	2.240.058	-	
Electricity, Gas and Water	-	-	-	-	-	7.963	4.255.211	-	
Construction	-	-	-	-	-	-	121.744	-	
Services	358.870	-	6	319	-	1.193.191	2.664.061	-	
Wholesale and Retail Trade	-	-	-	-	-	-	28.714	-	
Accommodation and Dining	-	-	-	-	-	-	282.532	-	
Transportation and Telecommunication	-	-	-	-	-	1.950	588.683	-	
Financial Institutions	358.870	-	6	319	-	1.191.241	1.016.657	-	
Real Estate and Rental Services	-	-	-	-	-	-	354.683	-	
Professional Services	-	-	-	-	-	-	315.618	-	
Educational Services	-	-	-	-	-	-	7.775	-	
Health and Social Services	-	-	-	-	-	-	69.399	-	
Others	2.344.143	-	1.494	-	-	1	108.511	-	
<b>Total</b>	<b>2.703.013</b>	<b>-</b>	<b>1.500</b>	<b>319</b>	<b>-</b>	<b>1.202.410</b>	<b>9.474.743</b>	<b>-</b>	

<sup>(\*)</sup> Risk types contained in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been taken into account.

Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	TL	FC	Total
-	-	-	-	-	-	-	606	3.276	2.654	5.930
-	-	-	-	-	-	-	262	2.932	2.654	5.586
-	-	-	-	-	-	-	344	344	-	344
-	-	-	-	-	-	-	-	-	-	-
1.745	-	-	-	-	-	-	1.017	561.334	6.025.749	6.587.083
-	-	-	-	-	-	-	-	-	79.834	79.834
1.745	-	-	-	-	-	-	1.017	321.756	1.922.319	2.244.075
-	-	-	-	-	-	-	-	239.578	4.023.596	4.263.174
2.130	-	-	-	-	-	-	-	29.246	94.628	123.874
454.583	-	-	-	-	-	106.009	330.390	1.310.877	3.756.552	5.067.429
-	-	-	-	-	-	-	-	9.600	19.114	28.714
3.532	-	-	-	-	-	-	-	-	286.064	286.064
-	-	-	-	-	-	-	1.355	1.355	590.633	591.988
102.810	-	-	-	-	-	106.009	328.423	1.257.755	1.846.580	3.104.335
302.197	-	-	-	-	-	-	-	11.768	645.112	656.880
-	-	-	-	-	-	-	612	30.399	285.831	316.230
6.044	-	-	-	-	-	-	-	-	13.819	13.819
-	-	-	-	-	-	-	-	-	69.399	69.399
-	-	48	-	-	-	-	32.561	2.046.832	439.926	2.486.758
418.458	-	48	-	-	-	106.009	364.574	3.951.565	10.319.509	14.271.074

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Risk profile by sectors or counterparties (continued)

Risk Types <sup>(*)</sup>									
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	
<b>Prior Period</b>									
Agriculture	-	-	-	-	-	-	12.024	-	
Farming and Stockbreeding	-	-	-	-	-	-	12.024	-	
Forestry	-	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	23.504	4.974.206	-	
Mining and Quarrying	-	-	-	-	-	-	41.880	-	
Production	-	-	-	-	-	8.035	1.947.947	-	
Electricity, Gas and Water	-	-	-	-	-	15.469	2.984.379	-	
Construction	-	-	-	-	-	-	153.518	-	
Services	145.973	-	2.211	-	-	1.449.038	1.564.538	-	
Wholesale and Retail Trade	-	-	-	-	-	-	353.824	-	
Accommodation and Dining	-	-	-	-	-	1.237	207.941	-	
Transportation and Telecommunication	-	-	-	-	-	-	417.803	-	
Financial Institutions	145.973	-	2.211	-	-	1.447.801	1.995	-	
Real Estate and Rental Services	-	-	-	-	-	-	385.195	-	
Professional Services	-	-	-	-	-	-	152.732	-	
Educational Services	-	-	-	-	-	-	12.419	-	
Health and Social Services	-	-	-	-	-	-	32.629	-	
Others	2.469.570	-	225	-	-	16	4.422	14.025	
<b>Total</b>	<b>2.615.543</b>	<b>-</b>	<b>2.436</b>	<b>-</b>	<b>-</b>	<b>1.472.558</b>	<b>6.708.708</b>	<b>14.025</b>	

<sup>(\*)</sup> Risk types contained in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been taken into account.

Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	TL	FC	Total
-	-	-	-	-	-	-	629	6.297	6.356	12.653
-	-	-	-	-	-	-	267	5.935	6.356	12.291
-	-	-	-	-	-	-	362	362	-	362
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2.486	263.920	4.736.276	5.000.196
-	-	-	-	-	-	-	-	-	41.880	41.880
-	-	-	-	-	-	-	1.194	179.228	1.777.948	1.957.176
-	-	-	-	-	-	-	1.292	84.692	2.916.448	3.001.140
-	-	-	-	-	-	-	-	17.553	135.965	153.518
1.078	-	-	-	-	-	184.038	307.643	716.604	2.937.915	3.654.519
-	-	-	-	-	-	-	-	41.118	312.706	353.824
-	-	-	-	-	-	-	-	-	209.178	209.178
-	-	-	-	-	-	-	1.235	1.355	417.683	419.038
-	-	-	-	-	-	184.038	305.796	650.842	1.436.972	2.087.814
-	-	-	-	-	-	-	-	14.113	371.082	385.195
-	-	-	-	-	-	-	612	9.176	144.168	153.344
-	-	-	-	-	-	-	-	-	12.419	12.419
1.078	-	-	-	-	-	-	-	-	33.707	33.707
-	-	16	-	-	-	-	32.040	2.163.559	356.755	2.520.314
1.078	-	16	-	-	-	184.038	342.798	3.167.933	8.173.267	11.341.200

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Current Period</b>					
Contingent and Non-Contingent Claims on Sovereigns	292.004	271.469	143.993	337.475	1.552.916
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	1.036	-	-	-	458
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	319
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	348.473	15.614	87.541	168.521	494.938
Contingent and Non-Contingent Claims on Corporates	345.561	47.103	152.993	546.069	8.369.630
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	89	2.498	415.871
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	12	-	35
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	105.663
Other Claims	7.745	-	-	-	-
<b>Total</b>	<b>994.819</b>	<b>334.186</b>	<b>384.628</b>	<b>1.054.563</b>	<b>10.939.830</b>

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Prior Period</b>					
Contingent and Non-Contingent Claims on Sovereigns	247.470	59.518	152.402	165.100	1.963.716
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	65	-	-	-	2.367
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	77.534	22.434	54.265	47.073	1.215.074
Contingent and Non-Contingent Claims on Corporates	63.766	102.502	82.847	232.852	6.205.047
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	10.748	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	-	1.078	-
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	16
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	4.276	-	10	-	179.547
Other Claims	-	-	-	-	-
<b>Total</b>	<b>403.859</b>	<b>184.454</b>	<b>289.524</b>	<b>446.103</b>	<b>9.565.767</b>



Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Information on Risk Types

Referring to article No. 7 of the "Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", in the process of risk weighted assets calculation, risk weights are determined through ratings given by authorized rating companies. Ratings given by International Rating Companies can be used for receivables including receivables from Banks and Brokerage Houses settled abroad, receivables from Regional Authorities and Local Authorities, receivables from Administrative Bodies and Non-Commercial Undertakings, receivables from Multilateral Development Banks and Corporate Receivables risk weights. The Resident Institutions are assessed as unrated.

In determination of risk weights for exposures used in the capital adequacy calculation of the Bank, ratings given by Fitch Ratings Rating Agency are used. Fitch Ratings' as per the credit quality grades and the risk weights according to exposure categories are presented below:

Current Period		Risk Types			
Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
Unrated	D	100%	20% (*)	50% (*)	100%
	Unrated				

(\*) Used in case when the risk weight of the sovereign of the Bank's country is not higher.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Information on Risk Types (continued)

Prior Period		Risk Types			
Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
Unrated	D	100%	20% (*)	50% (*)	100%
	Unrated				

(\*) Used in case when the risk weight of the sovereign of the Bank's country is not higher.

#### Exposures by risk weights

Current Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation (*)	2.553.773	-	1.894.400	1.961.615	-	9.432.919	13	35	-	1.112
Exposures After Credit Risk Mitigation	2.334.350	-	633.468	2.348.062	-	8.955.146	13	35	-	1.112

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

Prior Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation (*)	3.093.231	-	295.071	1.572.716	64.270	7.520.814	8	8	-	1.190
Exposures After Credit Risk Mitigation	2.275.521	-	136.510	1.598.550	14.025	7.316.578	8	8	-	1.190

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

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Information of major sectors or type of counterparties

Current Period	Loans		Value	
Major Sectors/Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.432	-	-	(3.432)
Farming and Stockbreeding	3.432	-	-	(3.432)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	26.941	-	-	(26.941)
Mining and Quarrying	191	-	-	(191)
Production	9.512	-	-	(9.512)
Electricity, Gas and Water	17.238	-	-	(17.238)
Construction	516	-	-	(516)
Services	5.364	-	-	(5.364)
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.364	-	-	(5.364)
Others	-	-	-	-
<b>Total</b>	<b>36.253</b>	<b>-</b>	<b>-</b>	<b>(36.253)</b>

Prior Period	Loans		Value	
Major Sectors/Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.422	-	-	(3.422)
Farming and Stockbreeding	3.422	-	-	(3.422)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	4.523	985	10	(4.523)
Mining and Quarrying	191	-	-	(191)
Production	4.332	-	-	(4.332)
Electricity, Gas and Water	-	985	10	-
Construction	513	-	-	(513)
Services	5.317	-	-	(5.317)
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.317	-	-	(5.317)
Others	-	-	-	-
<b>Total</b>	<b>13.775</b>	<b>985</b>	<b>10</b>	<b>(13.775)</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related with value adjustments and loan loss provisions

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	13.775	23.754	1.276	-	36.253
General Loan Loss Provision	83.714	20.617	-	-	104.331

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	25.673	187	12.085	-	13.775
General Loan Loss Provision	64.564	19.150	-	-	83.714

Cash credit quality per class of financial assets as of 31 December 2013 is as follows;

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	9.172.242	-	9.172.242
Corporate Loans	7.488.057	-	7.488.057
Loans to SME	1.684.011	-	1.684.011
Consumer Loans	174	-	174
Other	-	-	-
Receivables from Leasing Transactions	4.518	-	4.518
<b>Total</b>	<b>9.176.760</b>	<b>-</b>	<b>9.176.760</b>

Cash credit quality per class of financial assets as of 31 December 2012 is as follows:

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	6.884.609	985	6.885.594
Corporate Loans	5.267.351	-	5.267.351
Loans to SME	1.613.950	985	1.614.935
Consumer Loans	168	-	168
Other	3.140	-	3.140
Receivables from Leasing Transactions	9.432	-	9.432
<b>Total</b>	<b>6.894.041</b>	<b>985</b>	<b>6.895.026</b>

Credit risk is evaluated according to the Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings. The loans rated according to the possibility of being in default are classified from the highest grade (top grade) to the lowest (below average) as below; at the bottom of the table there are credits in default (impaired) according to rating model.

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	325.050	410.632
High Grade	3.639.660	2.979.278
Average Grade	4.551.900	3.254.586
Below Average Grade	1.681.207	1.444.957
Impaired	40.483	13.775
<b>Total</b>	<b>10.238.300</b>	<b>8.103.228</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Category "top" shows that the debtor has a very strong financial structure, "high" shows that the debtor has a strong financial structure, "average" shows the debtor's financial structure is good enough while "below average" category shows that debtor's financial structure is under risk in the short and medium term.

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 10.666.433; and TL 428.133 of these customers have not been rated (31 December 2012: TL 8.121.358; TL 18.130).

Carrying amount per class of financial assets whose terms have been renegotiated

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Loans	222.718	129.753
Corporate Loans	132.731	125.428
Loans to SME	89.987	3.330
Consumer Loans	-	-
Other	-	995
<b>Total</b>	<b>222.718</b>	<b>129.753</b>

### III. Explanations related to the market risk

In order to avoid the market risk and restrict the risks carried, the Board of Directors determines the limits on market risk. Risk, notional and proportional basis limitation systems are used and the informative reports regarding market risk position of the bank are presented to Board of Directors, relevant committees and top management.

The guidelines prepared by Risk Management regarding organization, responsibility and fields of activity were approved by the Board of Directors. Risk management policies are determined and announced throughout the Bank.

Legally, the standard method is used to calculate the consolidated and unconsolidated market risk. In addition to the standard method, the Bank applies Monte Carlo simulation which is internal model to securities portfolio, foreign currency position on a daily or monthly basis to detect the market risks. The success of these models is tested retrospectively. The Bank also makes VaR calculations, scenario analyses and stress tests to detect the risks not caught by using internal models. Market risk is measured on a daily basis and reported to top management, Audit Committee and the Board of Directors weekly and monthly.

The market risk table is as follows:

#### 1.a Information related to the market risk

	Current Period	Prior Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	7.213	4.269
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	3	56
Capital Requirement for Specific Risk Relating to Securitization Positions - Standard Method	-	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	4.589	9.446
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting From Options - Standard Method	-	-
(VII) Counterparty credit risk capital requirement - Standard method	4.111	1.689
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-	-
(IX) Total Capital Requirement to be Employed for Market	15.916	15.460
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>198.950</b>	<b>193.250</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

1.b Average market risk table as of the month ends during the period:

	Current Period			Prior Period <sup>(*)</sup>		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	6.000	7.484	4.697	4.509	4.845	4.272
Common Stock Risk	77	195	-	28	53	20
Currency Risk	5.174	8.019	1.714	7.763	9.446	6.438
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	353	857	-	492	2.710	-
Counterparty Credit Risk	2.414	4.111	1.894	2.710	3.314	1.689
<b>Total Value At Risk</b>	<b>14.018</b>	<b>20.666</b>	<b>8.305</b>	<b>15.502</b>	<b>20.368</b>	<b>12.419</b>

(\*) Risk information given above includes the period between July - December 2012 and represents the amounts calculated under the "Regulation on Measurement and Assessment of the Capital Adequacy of the Banks" published on 28 June 2012.

## 2. Explanation related to counter party risk

The Bank gives long term, medium term and short term loans within principles and limits determined by the Board of Directors according to the Banking Law. Loan transactions includes all manner of lending type about financing investments and need to working capital of firms, domestic and foreign loan participation from primary and secondary market, underwriting to purchase and sell of bond and legal instruments that will issued, provide APEX loan facilities to banks and financial institutions by leasing, treasury derivative transaction within limits assigned to firms, export-import transactions, treasury, money and capital market and derivative transaction within limits in countenance of financial institutions (Counterparties).

Project guarantee, mortgage, personnel guarantee, company guarantee, cheques and notes, cash blockage, stock and security pledges could be taken on Treasury, Money and Capital Market and Derivative transaction within limits in countenance of non-financial institutions (Counterparties). On Treasury, Money and Capital Market transaction within limits in countenance of financial institutions (Counterparties) guarantee is not taken and on derivative transactions collateral netting is applied for the firms that signed CSA agreements based on daily derivative valuation. The provision is reserved in accordance with "Substance of the Procedures and Principles Related to Determination of Loans and Other Receivables by the Banks and Allocation of Provision for Those" and international practices.

### Quantitative information related to counterparty risk

	Current Period	Prior Period
Interest Rate Contracts	18.440	22.318
Foreign Exchange Rate Contracts	45.296	14.020
Commodity Contracts	-	-
Equity Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	63.736	36.338
Net-off Benefits	-	-
Net-off Current Risk Amount	63.736	36.338
Collaterals Received	1.166	8.112
Net Derivative Position	62.570	28.226

## 3. Required disclosures in case the capital requirement of the Bank is calculated by a risk measurement model permitted by BRSA

Internal model is not used on the calculation of capital requirements for counterparty credit risk.

### Other price risks

The Bank is exposed to equity price risks arising from equity investments. Equity investments are mostly held for trading purposes. The Bank does not actively trade these investments.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Equity shares price sensitivity

The sensitivity analysis below has been determined based on the exposure to stock price risks at the reporting date.

If the inputs (equity shares prices) to the valuation model had been 20% higher/lower while all other variables were held constant;

The Bank classifies its equity investments both as held for trading and available for sale investments. Therefore, the net profit/loss is not affected as long as the Bank does not sell its equity investments classified as available for sale investments. According to the analysis results under these assumptions; profit/loss will increase/decrease by TL 3.003 (2012: TL 4.157 increase/decrease). In current period, there is no stock classified in trading book of the Bank (2012: None).

#### IV. Explanations related to operational risk

Operational risk amount of the Bank is measured with Basic Indicator Method referring to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" According to this method, the calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5.

Yearly gross income, as presented on the income statement; is calculated with net interest income plus net fee and commission, dividend income except from subsidiaries and associates, trading profit/loss and other operational income minus profit/loss gain on sale of assets other than of trading accounts, extraordinary income, operational expense for support service from a bank and recoveries from insurance.

	31 December 2010	31 December 2011	31 December 2012	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	313.666	373.412	449.943	379.007	15	56.851
Value at Operational Risk (Total*12,5)						710.638

#### V. Explanations related to currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on a monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

The Bank has no hedging transactions through derivative instruments for its foreign currency borrowings and net foreign currency investments.

Announced current foreign exchange buying rates of the Bank as at reporting date and the previous five working days in USD and EURO are as follows:

	1 USD	1 Euro
<b>A. Bank "Foreign Exchange Valuation Rate"</b>		
31 December 2013	2,1200	2,9226
<b>Prior Five Workdays:</b>		
30 December 2013	2,1300	2,9256
27 December 2013	2,0950	2,8827
26 December 2013	2,0750	2,8394
25 December 2013	2,0650	2,8241
24 December 2013	2,0800	2,8463

Simple arithmetic thirty-day averages of the USD and EURO buying rates of the Bank before the reporting date are TL 2,0422 and 2,7971; respectively.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information on the Bank's foreign currency risk :

	Euro	USD	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	142.103	160.761	-	302.864
Banks	2.210	3.445	1.247	6.902
Financial Assets at Fair Value Through Profit and Loss <sup>(*)</sup>	15.397	16.265	-	31.662
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	32.845	345.221	-	378.066
Loans <sup>(**)</sup>	3.636.261	4.952.796	-	8.589.057
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(***)</sup>	4.518	45.474	-	49.992
<b>Total Assets</b>	<b>3.833.334</b>	<b>5.523.962</b>	<b>1.247</b>	<b>9.358.543</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	6.845	239.386	-	246.231
Funds Provided From Other Financial Institutions	4.132.635	4.976.379	-	9.109.014
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	1.432	3.431	3	4.866
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities <sup>(****)</sup>	18.520	20.702	-	39.222
<b>Total Liabilities</b>	<b>4.159.432</b>	<b>5.239.898</b>	<b>3</b>	<b>9.399.333</b>
<b>Net Balance Sheet Position</b>	<b>(326.098)</b>	<b>284.064</b>	<b>1.244</b>	<b>(40.790)</b>
<b>Net Off-Balance Sheet Position</b>	<b>301.868</b>	<b>(287.450)</b>	<b>2</b>	<b>14.420</b>
Financial Derivative Assets	505.645	308.449	14.559	828.653
Financial Derivative Liabilities	(203.777)	(595.899)	(14.557)	(814.233)
<b>Non-Cash Loans <sup>(*****)</sup></b>	<b>223.885</b>	<b>722.887</b>	<b>727</b>	<b>947.499</b>
<b>Prior Period</b>				
Total Assets	3.069.711	4.258.640	451	7.328.802
Total Liabilities	3.351.513	3.895.622	11	7.247.146
<b>Net Balance Sheet Position</b>	<b>(281.802)</b>	<b>363.018</b>	<b>440</b>	<b>81.656</b>
<b>Net Off -Balance Sheet Position</b>	<b>266.812</b>	<b>(261.867)</b>	<b>893</b>	<b>5.838</b>
Financial Derivative Assets	416.985	130.153	893	548.031
Financial Derivative Liabilities	(150.173)	(392.020)	-	(542.193)
<b>Non-Cash Loans <sup>(*****)</sup></b>	<b>110.311</b>	<b>811.491</b>	<b>-</b>	<b>921.802</b>

<sup>(\*)</sup> Exchange rate differences arising from derivative transactions amounting to TL 2.370 is deducted from "Financial Assets at Fair Value Through Profit and Loss".<sup>(\*\*)</sup> Loans extended include TL 1.735.152 foreign currency indexed loans.<sup>(\*\*\*)</sup> Prepaid expenses amounting to TL 147 have not been included in "Other Assets".<sup>(\*\*\*\*)</sup> Marketable securities valuation increase fund amounting to TL 15.648 and exchange rate differences arising from derivative transactions amounting to TL 1.158 have not been included in "Other Liabilities". Borrower funds amounting TL 5.008 based on foreign currencies have been included in "Other Liabilities".<sup>(\*\*\*\*\*)</sup> Has no effect on net off-balance sheet position.

The is mostly exposed to Euro, US Dollars, other foreign currencies.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit/Loss <sup>(*)</sup>		Effect on Equity <sup>(**)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(1.757)	6.323	1.419	3.792
Euro	10	(2.569)	(1.600)	146	101
Other	10	125	133	-	-

	Increase in Currency Rate	Effect on Profit/Loss <sup>(*)</sup>		Effect on Equity <sup>(**)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	1.757	(6.323)	(1.419)	(3.792)
Euro	10	2.569	1.600	(146)	(101)
Other	10	(125)	(133)	-	-

(\*) Values expressed are before the tax effect.

(\*\*) Effect on equity does not include effect on profit/loss.

#### Forward foreign exchange contracts

The Bank does not have forward foreign exchange contracts to hedge the risk exposure from payments and collections in any foreign exchange.

#### VI. Explanations related to interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of the Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing <sup>(*)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	344.969	344.969
Banks	-	-	-	-	-	7.320	7.320
Financial Assets at Fair Value Through Profit and Loss	1.478	4.451	14.937	18.124	1.697	-	40.687
Money Market Placements	50	-	-	-	-	-	50
Available-for-Sale Financial Assets	995.066	721.674	474.783	530.712	199.794	44.467	2.966.496
Loans	1.643.650	3.460.688	3.517.943	519.443	30.518	-	9.172.242
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets <sup>(**)</sup>	23	4.495	-	-	-	374.875	379.393
<b>Total Assets</b>	<b>2.640.267</b>	<b>4.191.308</b>	<b>4.007.663</b>	<b>1.068.279</b>	<b>232.009</b>	<b>771.631</b>	<b>12.911.157</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.563.070	-	45.955	-	-	-	1.609.025
Miscellaneous Payables	-	-	-	-	-	77.643	77.643
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.945.183	3.208.851	2.189.507	226.919	538.554	-	9.109.014
Other Liabilities <sup>(***)</sup>	7.278	3.323	12.895	22.802	440	2.068.737	2.115.475
<b>Total Liabilities</b>	<b>4.515.531</b>	<b>3.212.174</b>	<b>2.248.357</b>	<b>249.721</b>	<b>538.994</b>	<b>2.146.380</b>	<b>12.911.157</b>
Balance Sheet Long Position	-	979.134	1.759.306	818.558	-	-	3.556.998
Balance Sheet Short Position	(1.875.264)	-	-	-	(306.985)	(1.374.749)	(3.556.998)
Off-Balance Sheet Long Position	129.729	91.355	19.288	-	39.418	-	279.790
Off-Balance Sheet Short Position	-	-	-	(279.007)	-	-	(279.007)
<b>Total Position</b>	<b>(1.745.535)</b>	<b>1.070.489</b>	<b>1.778.594</b>	<b>539.551</b>	<b>(267.567)</b>	<b>(1.374.749)</b>	<b>783</b>

<sup>(\*)</sup> Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(\*\*)</sup> Finance lease receivables amounting to TL 4.518 are presented in "Other Assets" on the basis of related maturities.

<sup>(\*\*\*)</sup> Borrower funds amounting to TL 5.954 are presented in "Other Liabilities" within 1-month maturity column.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Average interest rates applied to monetary financial instruments: %

Current Period	Euro	USD	Yen	TL
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	9,00
Available-for-Sale Financial Assets	5,45	6,73	-	9,51
Loans	3,78	4,16	-	9,27
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,51	0,88	-	6,57
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	0,50	0,50	-	4,00
Funds Provided From Other Financial Institutions	0,87	1,08	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items of prior period (based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing <sup>(*)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	132.613	132.613
Banks	-	-	-	-	-	37.571	37.571
Financial Assets at Fair Value Through Profit and Loss	1.296	4.658	6.058	5.686	5.739	660	24.097
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	979.951	726.647	483.844	377.504	275.789	36.768	2.880.503
Loans	1.200.865	2.467.258	2.819.258	357.741	40.472	-	6.885.594
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets <sup>(**)</sup>	1.017	7.585	793	37	-	319.788	329.220
<b>Total Assets</b>	<b>2.183.129</b>	<b>3.206.148</b>	<b>3.309.953</b>	<b>740.968</b>	<b>322.000</b>	<b>527.400</b>	<b>10.289.598</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.251.696	2.164	777	-	-	-	1.254.637
Miscellaneous Payables	-	-	-	-	-	98.678	98.678
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.314.341	2.792.656	1.559.553	65.895	241.344	-	6.973.789
Other Liabilities <sup>(***)</sup>	10.707	380	1.989	7.941	9.563	1.931.914	1.962.494
<b>Total Liabilities</b>	<b>3.576.744</b>	<b>2.795.200</b>	<b>1.562.319</b>	<b>73.836</b>	<b>250.907</b>	<b>2.030.592</b>	<b>10.289.598</b>
Balance Sheet Long Position	-	410.948	1.747.634	667.132	71.093	-	2.896.807
Balance Sheet Short Position	(1.393.615)	-	-	-	-	(1.503.192)	(2.896.807)
Off-Balance Sheet Long Position	74.057	56.549	-	9.960	-	-	140.566
Off-Balance Sheet Short Position	-	-	(82.257)	-	(52.096)	-	(134.353)
<b>Total Position</b>	<b>(1.319.558)</b>	<b>467.497</b>	<b>1.665.377</b>	<b>677.092</b>	<b>18.997</b>	<b>(1.503.192)</b>	<b>6.213</b>

<sup>(\*)</sup> Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(\*\*)</sup> Finance lease receivables amounting to TL 9.432 are presented in "Other Assets" on the basis of related maturities.

<sup>(\*\*\*)</sup> Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Average interest rates applied to monetary financial instruments in prior period: %

	Euro	USD	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	10,49
Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5,36	6,49	-	9,04
Loans	3,77	4,25	-	10,32
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,76	1,02	-	5,51
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,19	1,16	-	5,76

#### The interest rate risk of the banking book items

Interest rate risk caused by banking book accounts includes, Receivables from Central Bank, Receivables from Money Markets, Receivable from Banks, Available for Sale Financial Assets, Receivables from Reverse Repurchase Agreement, Receivables from Loans, Held to Maturity Investments and Other Receivables, which are monitored in banking book, in assets and includes Payables to Central Bank in banking accounts, Payables to Money Markets, Payables to Banks, Funds Provided from Repurchase Agreement, Securities Issued by the Bank, Payables to Loans, Subordinated Debts and Other Debts which are monitored in banking book accounts in liabilities. All derivative instruments are recorded in trading book accounts. In this nature, FR400AS in the mandatory report list of BRSA is prepared and reported monthly.

In accordance with the communiqué on "Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts", economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies are presented in the table below.

Current Period Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	+500/(400) basis point	(60.344)/54.394	(3,0%)/2,7%
Euro	+200/(200) basis point	13.280/(20.955)	0,7%/(1,0%)
US Dollar	+200/(200) basis point	(9.590)/4.765	(0,5%)/0,2%
<b>Total (for Negative Shocks)</b>		<b>38.204</b>	<b>1,9%</b>
<b>Total (for Positive Shocks)</b>		<b>(56.654)</b>	<b>(2,8%)</b>

Prior Period Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	+500/(400) basis point	(44.237)/39.488	(2,4%)/2,2%
Euro	+200/(200) basis point	7.213/(10.657)	0,4%/(0,6%)
US Dollar	+200/(200) basis point	(55.064)/44.673	(3,0%)/2,5%
<b>Total (for Negative Shocks)</b>		<b>73.504</b>	<b>4,1%</b>
<b>Total (for Positive Shocks)</b>		<b>(92.088)</b>	<b>(5,0%)</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Interest rate sensitivity

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratios including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and upper management, Board of Directors and Audit Committee are informed of these risks.

The Bank's interest rate sensitivity is calculated according to the market risk related to assets and liabilities. In this context, at the reporting date, if interest rates had been 1 bp higher for TL and foreign currency and all other variables were held constant, the net decrease on the profit and shareholders' equity would have been TL 2.828 and if interest rates had been 1 bp lower for TL and foreign currencies, the net increase on the profit and shareholders' equity change would have been TL (1.758).

The Bank's available for sale portfolio in the current period increased approximately by 7% compared to prior period and the market value increased approximately by 3%. In addition to this, foreign exchange assets in the Bank's portfolio are approximately 13% of the portfolio in the current period while this ratio was 16% in the prior period in terms of fair value.

#### VII. Explanations related to stock position risk

The Bank is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Bank. The Bank classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Bank is not affected unless the Bank sell share certificates in portfolio of available for sale.

Equity shares are recognized according to "TAS 39- Financial Instruments: Recognition and Measurement". Trading securities in an active market (in exchange market) are reflected to financial statements with fair value taking into account of quoted securities on exchange market. Non-trading securities in an active market (in exchange market) are followed up according to the acquisition cost and recorded by considering impairment.

##### Equity shares risk due from banking book

Below is the comparison table of the Bank's share certificate instruments' book value, fair value and market value.

Current Period		Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value	
Investment in Shares-Grade A	225.301	-	225.301	
Quoted	225.301	-	225.301	
Prior Period		Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value	
Investment in Shares-Grade A	226.980	-	226.980	
Quoted	226.980	-	226.980	

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(512)	-	-	(13.073)	-	(5.883)
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	<b>(512)</b>	<b>-</b>	<b>-</b>	<b>(13.073)</b>	<b>-</b>	<b>(5.883)</b>

Prior Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(1.291)	-	-	(3.408)	-	(3.498)
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	<b>(1.291)</b>	<b>-</b>	<b>-</b>	<b>(3.408)</b>	<b>-</b>	<b>(3.498)</b>

#### VIII. Explanations related to the liquidity risk

The Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The Bank does not invest into illiquid markets and instruments. The liquidity ratios are followed up and the maturity match and the coverage of liquidity need are targeted in the context of asset-liability management. Although the Bank started to perform tests to calculate liquidity risk with internal models, the risk is still followed up basically by arranging the risks with respect to (holding period) data.

For the purpose of meeting the liquidity requirement, the Bank chooses one of the three or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Bank's liquidity management is implemented by meeting all the obligations on time considering the Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances. As seen on interest rate risk tables, the difference in interest rates of assets and liabilities is in favour of the assets. Such mismatch positively affects the profitability and is checked by the Bank Management with regular reports.

The Bank meets its short term liquidity requirements with repurchase agreements and inter-bank money market operations. The Bank may also use its available for sale portfolio for urgent liquidity requirement. The Bank meets its long term liquidity needs from the international institutions through borrowings. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. For the purposes of monitoring and assessing the liquidity position of the Bank's assets and liabilities, the liquidity rate is weekly calculated. The ratio during the year 2012 and 2013 are as follows:

	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
Current Period	FC	FC + TL	FC	FC + TL
Average (%)	109,06	140,86	112,67	138,53
Prior Period	FC	FC + TL	FC	FC + TL
Average (%)	120,33	165,47	117,90	154,16

Türkiye Sınai Kalkınma Bankası A.Ş.

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	78.190	250.283	-	16.496	-	-	-	344.969
Banks	7.320	-	-	-	-	-	-	7.320
Financial Assets at Fair Value Through Profit and Loss	-	1.478	4.451	12.020	19.178	3.560	-	40.687
Money Market Placements	-	50	-	-	-	-	-	50
Financial Assets Available-for-Sale	-	111.624	291.689	676.121	1.035.075	807.520	44.467	2.966.496
Loans	-	516.400	229.301	1.568.170	4.845.899	2.012.472	-	9.172.242
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (**)	-	23	3.075	1.420	-	-	374.875	379.393
<b>Total Assets</b>	<b>85.510</b>	<b>879.858</b>	<b>528.516</b>	<b>2.274.227</b>	<b>5.900.152</b>	<b>2.823.552</b>	<b>419.342</b>	<b>12.911.157</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	331.524	143.183	845.424	3.428.441	4.360.442	-	9.109.014
Money Market Borrowings	-	1.563.070	-	45.955	-	-	-	1.609.025
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	77.643	77.643
Other Liabilities (***)	-	7.278	3.323	12.859	22.802	476	2.068.737	2.115.475
<b>Total Liabilities</b>	<b>-</b>	<b>1.901.872</b>	<b>146.506</b>	<b>904.238</b>	<b>3.451.243</b>	<b>4.360.918</b>	<b>2.146.380</b>	<b>12.911.157</b>
<b>Liquidity Gap</b>	<b>85.510</b>	<b>(1.022.014)</b>	<b>382.010</b>	<b>1.369.989</b>	<b>2.448.909</b>	<b>(1.537.366)</b>	<b>(1.727.038)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	66.226	410.942	341.319	1.563.070	5.402.595	2.148.890	356.556	10.289.598
Total Liabilities	-	1.400.745	119.576	543.683	2.579.884	3.620.618	2.025.092	10.289.598
<b>Liquidity Gap</b>	<b>66.226</b>	<b>(989.803)</b>	<b>221.743</b>	<b>1.019.387</b>	<b>2.822.711</b>	<b>(1.471.728)</b>	<b>(1.668.536)</b>	<b>-</b>

(\*) Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

(\*\*) Finance lease receivables amounting to TL 4.518 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 5.954 are presented in "Other Liabilities" within 1-month maturity column.



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## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Bank's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	339.467	150.817	908.751	3.671.326	4.578.239	(539.586)	9.109.014
Money Market Borrowings	1.563.661	-	46.665	-	-	(1.301)	1.609.025
Funds	5.954	-	-	-	-	-	5.954
<b>Total</b>	<b>1.909.082</b>	<b>150.817</b>	<b>955.416</b>	<b>3.671.326</b>	<b>4.578.239</b>	<b>(540.887)</b>	<b>10.723.993</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	157.736	120.422	746.197	2.783.705	3.813.363	(647.634)	6.973.789
Money Market Borrowings	1.252.860	2.168	779	-	-	(1.170)	1.254.637
Funds	9.745	-	-	-	-	-	9.745
<b>Total</b>	<b>1.420.341</b>	<b>122.590</b>	<b>746.976</b>	<b>2.783.705</b>	<b>3.813.363</b>	<b>(648.804)</b>	<b>8.238.171</b>

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	629.600	86.005	194.122	2.074.156	473.557	3.498	3.460.938
Forward Contracts	7.968	13.308	139.141	-	-	-	160.417
Futures Transactions	-	-	-	-	-	-	-
Options	135.566	130.116	301.372	237.706	-	-	804.760
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>773.134</b>	<b>229.429</b>	<b>634.635</b>	<b>2.311.862</b>	<b>473.557</b>	<b>3.498</b>	<b>4.426.115</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
Swap Contracts	622.306	52.367	27.067	1.010.853	587.097	3.366	2.303.056
Forward Contracts	144.684	57.219	273.614	-	-	-	475.517
Futures Transactions	-	-	-	-	-	-	-
Options	61.286	27.678	30.726	31.199	-	-	150.889
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>828.276</b>	<b>137.264</b>	<b>331.407</b>	<b>1.042.052</b>	<b>587.097</b>	<b>3.366</b>	<b>2.929.462</b>

#### IX. Explanations related to securitization positions

None.

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to credit risk mitigation techniques

Offsetting is not used as a credit risk mitigation technique. In assessments within the scope of credit risk mitigation techniques, using methods in regard to valuation and management of collaterals are realized in parallel with communiqué relating to Credit Risk Mitigation Techniques. Financial collaterals are evaluated on a daily basis in the Bank. Depending on the comprehensive financial collateral approach, risk mitigating effects of the collaterals are considered through the standard volatility adjustments. Value of the real estates subject to the collateral is determined at least once a year for commercial real estates and determined at least triennially for residential real estates. In the cases that significant changes in market conditions appear, the review is carried out at more frequent intervals. Within the communiqué, as a matter of credit risk mitigation techniques, only residences and commercial real estates (Warehouse, School, Hospital, Office and Store) which are not used for production purposes and can provide rental income are taken into consideration. In addition, land, field and orchard lands are also considered within same concept. Value of the real estates is assessed by the real estate appraisal companies, which are included in the list to provide valuation service by the CMB. Within the credit risk mitigation techniques, major collaterals that can be used by the Bank are financial collaterals (Treasury Bills, Government Bonds, Cash, Deposit Pledges, Gold, and Stock Pledges), guarantees and mortgages. As of 31 December 2012, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used.

##### Collaterals Which are Grouped According to Risk Types

Current Period Risk Types	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	3.130.944	221.426	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	7.515	40	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	1.593	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.843.332	1.330.327	-	-
Contingent and Non-Contingent Claims on Corporates	11.639.763	40.185	-	11.168
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	418.458	-	-	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	48	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	106.009	-	-	-
Other Claims	374.075	9.899	-	-
<b>Total</b>	<b>18.521.737</b>	<b>1.601.877</b>	<b>-</b>	<b>11.168</b>

<sup>(\*)</sup> Includes the total amounts before considering the effects of credit risk mitigation.

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Collaterals Which are Grouped According to Risk Types (continued)

Prior Period Risk Types	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	830.423	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	16.510	4.632	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1.926.764	166.497	-	-
Contingent and Non-Contingent Claims on Corporates	9.069.882	72.395	-	24.756
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	84.076	51.367	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	1.078	-	1.078	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	16	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	307.590	104.934	-	-
Other Claims	342.798	-	-	-
<b>Total</b>	<b>15.181.975</b>	<b>1.230.248</b>	<b>1.078</b>	<b>24.756</b>

<sup>(\*)</sup> Includes the total amounts before considering the effects of credit risk mitigation.

#### Main Guarantors and credit worthiness of the main guarantors

Main Guarantors <sup>(*)</sup>	Fitch Rating
Alternatif Bank A.Ş.	BBB
Bank Pozitif Kredi Ve Kalkınma Bankası A.Ş.	BBB-
Denizbank A.Ş.	BBB-
Şekerbank T.A.Ş.	BB-
T. İş Bankası A.Ş.	BBB
T.Garanti Bankası A.Ş.	BBB
T.C. Ziraat Bankası A.Ş.	BBB-
Tekstil Bankası A.Ş.	B+
Yapı Ve Kredi Bankası A.Ş.	BBB

<sup>(\*)</sup> Guarantors that used of risk mitigation effect within capital adequacy calculation at 31 December 2013 period.

### XI. Explanations related to risk management objective and policies

The purpose of the risk management system is to provide identifying, measuring, reporting, monitoring and controlling the risk exposure on both unconsolidated and consolidated basis, through the policies determined related to controlling the risk-return structure of future cash flows of the Bank and observing, controlling, changing if needed, application procedures, limits and policies of Bank and determine the objectives to be achieved through the internal capital adequacy assessment process. In this context, "TSKB Risk Management Policies" and "TSKB Capital Adequacy Policies" are prepared and has become effective following the approval of the Board of Directors.

The Board of Directors of the Bank determine and regularly review the risk level that the Bank is willing to bear to achieve its objectives, considering the risk capacity of Bank.

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Risk management process organized within the framework of risk management regulations and served to create a common risk culture throughout the Bank, is in a structure that these risks are described in line with the international regulations and are measuring, analyzing, following, monitoring and reporting within this framework. Within the framework of the mentioned structure, the Bank's Risk Management, continues to activities depending on the Audit Committee, which is established to help the audit and monitoring activities of the Board of Directors in accordance with Banking Law No: 5411 and "Regulation on Internal Systems of Banks" communiqué of Banking Regulation and Supervision Agency. Risk Management is responsible for preparing risk management strategies and policies followed by the Bank, implementation, identification, measurement, monitoring, analysis, evaluation and reporting of risk management system activities.

Risk Management monitors the compliance of the risks in line with the Bank's policies and standards and limits, and determines violations, analyzes the size of the risk by developing various scenarios, develops and integrates systems providing measuring, monitoring and reporting the risks.

Within the scope of "TSKB Risk Management Policies" the Bank is mainly exposed to credit risk, market risk, operational risk, currency risk, interest rate risk and liquidity risk.

#### *Credit risk management policy*

Credit risk is the possibility of incurring losses due to the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations. At the Bank, the purpose of credit risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Although the largest and most visible source for credit risk is the loans that the Bank grants, other banking services regarding the counterparty risk also bear credit risk. In this context, all of the banking activities are assessed within the scope of credit risk.

Credit risk is measured and managed considering the maturity structure of the credit, contractual provisions of the credit and financial conditions, the risk profile structure until the end of the maturity parallel with the possible market conditions, guarantees and collaterals, internal risk ratings and the possible changes in the process of risk exposure, the concentrations (a single company, associated group of companies, industry, country, etc.) and compliance with limits determined by the Board of Directors in order to prevent these concentrations. For measuring credit risk, Internal Rating-Based Model is used in order to monitor, control and provide early warning for credit risk of the Bank.

Maximum effort is expended for the fact that the limits and policies of the external and internal agreements are not so far from the limits and policies of the Bank. The articles in the agreements are compelling even if they are different from existing the Bank policies.

In credit risk mitigation policies and procedures, it is considered whether the total amount of credit risk mitigation tool should be taken into account is appropriate or not, also it is controlled whether the protection provided by the credit risk mitigation instruments is in compliance with the capital adequacy level. The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of credit risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with credit risk by the Bank's Risk Management.

#### *Market risk management policy and currency risk management policy*

Market risk is the possibility of loss that the Bank may face, in the trading book portfolio and in its on-and off-balance sheet positions arising from movements in market prices. Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors. The purpose of market risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Market risk is managed by using consistent risk measurement criteria such as fluctuation level of interest rate and/or price fluctuations and Value-at-Risk (VaR) Methods calculations, by establishing proper procedures for performing such controls and observing compliance with determined risk limits, by investigating sources of risk, learning risk and providing consistent information related with market risk to level of organizations within organization structure.

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## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors and in order to control these risks vigorously and it is essential that money and capital market transactions should be "well-diversified" considering the level of risk created in terms of parameters such as maturity, currency, interest rate and other similar parameters. In addition, credit worthiness of issuers of financial instruments creating market risk is strongly taken into account. In the calculation of the market risk, the Bank uses two basic approaches, BRSA Standard Method and Value at Risk (VaR) approach. The accuracy of the VaR model is sustained by applying the retrospective tests (back testing). The test mentioned is based on the comparison of calculated Value at Risk and actual losses. In addition stress tests are applied to determine the effects of the events whose probability of occurrence is low; however, loss level is high on Value at Risk. Currency risk management is measured and monitored by using the VaR model.

The Bank's Risk Management actively involved in measurement, analysis and monitoring process of market risk and currency risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with market risk by the Bank's Risk Management.

#### *Operational risk management policy*

Operational risk is defined as the risk of loss due to the insufficiency of the processes, the people and the systems or defects or errors on them and external events, and compliance with laws and ethical standards are also included in this definition. These risks are managed by fulfilling special controls of the basic functional areas of the Bank's operations, establishing mechanism distributing appropriate internal audit system and authorization required by this system within the Bank and by applying detailed testing and control of the Bank's all operating systems and by providing full harmony between internal and external systems and opportunity of independent data backup facility.

The Bank applies the principles of separation of duties and distribution of functions in order to reduce the risk of deliberate actions, manipulations or errors. The minimum functions that have to be separated are identified as (i) starting the process (ii) authorisation and approving, (iii) recording the process (iv) confirming the process, (v) safe custody services, (vi) monitoring and auditing, (vii) developing IT systems and activities for daily operations. The transaction information has to be recorded to the system by using IT applications at once the transactions have been completed. Measurement of operational risks carried out by the implementation of Basel II "Basic Indicator Approach" methods. The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of operational risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with operational risk by the Bank's Risk Management.

#### *Structural interest rate risk management policy*

Structural interest rate risk is the risk of possible changes in interest rates affecting the capital of bank due to re-pricing period of interest bearing assets and liabilities banking books of the Bank and the differences at interest structuring. Structural interest rate risk is managed by providing consistent information related to structural interest rate risk to all the organization stages by using the risk measurement and criteria like the level of fluctuation in interest rates, interest shock and stress test calculations. Maturity mismatches concerning the repricing in predetermined buckets and currency mismatches of asset and liabilities are monitored and measured. The Bank manages the interest rate risk by being aware of that it threatens the income, capital, liquidity and reputation of the Bank and it comprises of repricing risk, yield curve risk, basis risk, spread risk and option risk.

The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of structural interest rate risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with interest rate risk by the Risk Management.

#### *Liquidity risk management policy*

Liquidity risk is the risk of not meeting the balance sheet and off-balance sheet liabilities on time. Liquidity risk is also the possibility of loss that the Bank may face, when there is not sufficient cash or cash inflow to meet the cash outflow in full and in time. There are two risks as funding liquidity risk in capital markets and purchase/sales operations and market liquidity risk in which funding liquidity risk is the risk that investment and funding requirements cannot be met on time or at a reasonable cost due to the incompatibilities in cash flows. The market liquidity risk is that no long position can be taken on time or at a reasonable cost due to the markets are not so deep, disruption and the bank cannot enter the markets easily.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

It is essential to evaluate the diversification of opportunities on the basis of maturities with maximum extent in order to ensure the efficiency of liquidity management and maintain a sustainable situation. In liquidity risk management, a portfolio structure matched with the functions of generating profit from portfolio and market risk management and risk-return trade-off is constantly monitored without compromising of liquidity requirements. The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of liquidity risk and regular reporting is provided to the Board of Directors, the Audit Committee, top management and other departments related with liquidity risk by the Risk Management.

#### XII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the financial statements of the Bank.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>12.150.626</b>	<b>9.813.100</b>	<b>12.298.041</b>	<b>9.868.608</b>
Money Market Placements	50	-	50	-
Banks	7.320	37.571	7.320	37.571
Available-For-Sale Financial Assets	2.966.496	2.880.503	2.966.496	2.880.503
Held-To-Maturity Investments	-	-	-	-
Loans <sup>(*)</sup>	9.176.760	6.895.026	9.324.175	6.950.534
<b>Financial Liabilities</b>	<b>10.801.636</b>	<b>7.072.467</b>	<b>10.801.636</b>	<b>7.072.467</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	10.723.993	6.973.789	10.723.993	6.973.789
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	77.643	98.678	77.643	98.678

(\*) Loans include financial lease receivables.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets held for Trading	-	40.687	-
Financial Assets Available For Sale	2.129.210	807.834	29.452
Associates and Subsidiaries	210.286	-	76.740
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	40.784	-

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Prior Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets held for Trading	854	23.243	-
Financial Assets Available For Sale	2.204.158	660.362	15.983
Associates and Subsidiaries	206.195	-	71.400
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	20.829	-

#### XIII. Explanations related to transactions made on behalf of others and fiduciary transactions

The Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Bank does not deal with fiduciary transactions.

### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the assets

##### 1.a Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	36	-	84	113
Balances with the Central Bank of Turkey	42.069	302.864	25.328	107.088
Other	-	-	-	-
<b>Total</b>	<b>42.105</b>	<b>302.864</b>	<b>25.412</b>	<b>107.201</b>

##### 1.b Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	42.069	36.086	25.328	2.470
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(*)</sup>	-	266.778	-	104.618
<b>Total</b>	<b>42.069</b>	<b>302.864</b>	<b>25.328</b>	<b>107.088</b>

<sup>(\*)</sup> Deposits at Central Bank of Turkey held as reserve requirement

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, nr. 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2013 are presented in table below:

	Reserve Rates for FC Liabilities (%)	Reserve Rates for TL Liabilities (%)
Other liabilities until 1 year maturity (1 year include)	13,0	11,5
Other liabilities until 3 year maturity (3 year include)	11,0	8,0
Other liabilities more than 3 year maturity	6,0	5,0



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 2.a Information on financial assets at fair value through profit and loss:

###### 2.a.1 Trading securities:

###### 2.a.1.a Trading securities given as collateral or blocked:

As of the reporting date, the Bank has no trading securities given as collateral or blocked (31 December 2012: None).

###### 2.a.1.b Trading securities subject to repurchase agreements:

As of the reporting date, the Bank has no trading securities subject to repurchase agreements (31 December 2012: None).

##### 2.a.2 Information on financial assets designated at fair value through profit and loss:

###### 2.a.2.a Information on financial assets designated at fair value through profit and loss given as collateral or blocked:

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blocked (31 December 2012: None).

###### 2.a.2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2012: None).

##### 2.b Positive differences table related to derivative financial assets held-for-trading:

Held for trading financial derivative instruments	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	2.678	118	1.792	1.188
Swap Transactions	3.977	11.712	4.351	15.479
Futures Transactions	-	-	-	-
Options	-	22.202	-	433
Other	-	-	-	-
<b>Total</b>	<b>6.655</b>	<b>34.032</b>	<b>6.143</b>	<b>17.100</b>

### 3. Information on banks and foreign banks account

#### 3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	418	1.339	2.545	1.111
Foreign	-	5.563	-	33.915
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>418</b>	<b>6.902</b>	<b>2.545</b>	<b>35.026</b>



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 3.b Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1.912	2.839	-	-
USA and Canada	2.523	30.950	-	-
OECD Countries (*)	1.128	126	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>5.563</b>	<b>33.915</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

#### 4. Information on financial assets available-for-sale

##### 4.a.1 Financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1.497.803	-	1.021.262	-
Treasury bills	-	-	-	-
Other debt securities	-	243.128	-	293.720
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.497.803</b>	<b>243.128</b>	<b>1.021.262</b>	<b>293.720</b>

##### 4.a.2 Information on financial assets available-for-sale given as collateral or blocked:

All financial assets available for sale given as collateral comprise of financial assets issued by the Turkish Treasury. The carrying value of those assets is TL 154.631 (31 December 2012: TL 463.362).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	154.631	-	463.362	-
Other	-	-	-	-
<b>Total</b>	<b>154.631</b>	<b>-</b>	<b>463.362</b>	<b>-</b>

##### 4.b Major types of available for sale financial assets:

Available for sale financial assets comprise government bonds 67,30%, Eurobonds 11,22% and shares and other securities 21,48% (31 December 2012: government bonds 73,85%, Eurobonds 11,90% and shares and other securities 14,25%).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 4.c Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	2.930.864	2.846.275
Quoted on a stock exchange	2.553.421	2.396.908
Unquoted	377.443	449.367
Share certificates	59.734	47.724
Quoted on a stock exchange	17.245	22.950
Unquoted	42.489	24.774
Other Impairment provision(-)	(24.102)	(13.496)
<b>Total</b>	<b>2.966.496</b>	<b>2.880.503</b>

Net book value of unquoted available for sale share certificates is TL 29.452 (31 December 2012: TL 15.983).

### 5. Information on loans

#### 5.a Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	112.840	117.413	107.017	117.413
Corporate shareholders	112.840	117.413	107.017	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	174	-	168	-
<b>Total</b>	<b>113.014</b>	<b>117.413</b>	<b>107.185</b>	<b>117.413</b>

#### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Current Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
<b>Cash Loans</b>						
Non-specialized loans	9.038.691	116.143	-	133.551	106.575	-
Corporation loans	2.489.462	-	-	6.032	6.032	-
Export loans	148.074	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.297.796	-	-	-	-	-
Consumer loans	174	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other <sup>(*)</sup>	5.103.185	116.143	-	127.519	100.543	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>9.038.691</b>	<b>116.143</b>	<b>-</b>	<b>133.551</b>	<b>106.575</b>	<b>-</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
<b>Cash Loans</b>						
Non-specialized loans	6.856.623	102.158	-	28.971	-	-
Corporation loans	1.765.771	-	-	11.418	-	-
Export loans	112.795	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	845.855	-	-	-	-	-
Consumer loans	168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other (*)	4.132.034	102.158	-	17.553	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>6.856.623</b>	<b>102.158</b>	<b>-</b>	<b>28.971</b>	<b>-</b>	<b>-</b>

(\*) The Bank's finance lease receivables are TL 9.432 and TL 995 of the finance lease receivables are closely monitored.

Current Period			
Number of amendments related to the extension of the payment plan		Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times		116.143	106.575
Extended for 3-4 or 5 times		-	-
Extended for more than 5 times		-	-

Prior Period			
Number of amendments related to the extension of the payment plan		Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times		102.158	-
Extended for 3-4 or 5 times		-	-
Extended for more than 5 times		-	-

Current Period	Standard Loans and	Loans and Other Receivables
The time extended via the amendment on payment plan	Other Receivables	Under Close Monitoring
0-6 Months	-	-
6 Months -12 Months	-	89.987
1-2 Years	-	-
2-5 Years	36.896	-
5 Years	79.247	16.588

Prior Period	Standard Loans and	Loans and Other Receivables
The time extended via the amendment on payment plan	Other Receivables	Under Close Monitoring
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	-
2-5 Years	31.991	-
5 Years	70.167	-

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

In relation to the disclosure of changing the conditions of the payment plans of loans, which are followed under standard loans and other receivables and loans and receivables under close monitoring subsequent to the change in the regulation on "Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 27947 dated 28 May 2011; the Bank has provided general loan loss provision at a rate of 5% for one loan customer which is followed under standard loans and other receivables and for four loan customers which are followed under Loans and Other Receivables Under Close Monitoring and which have been extended more than 1 year.

#### 5.c Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
<b>Current Period</b>				
Short-term loans and other receivables	646.817	-	-	-
Non-specialized loans	646.817	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	8.391.874	116.143	133.551	106.575
Non-specialized loans	8.391.874	116.143	133.551	106.575
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Prior Period</b>				
Short-term loans and other receivables	298.533	-	6.330	-
Non-specialized loans	298.533	-	6.330	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	6.558.090	102.158	22.641	-
Non-specialized loans	6.558.090	102.158	22.641	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TL	122	52	174
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	122	52	174
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>122</b>	<b>52</b>	<b>174</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TL	147	21	168
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	147	21	168
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>147</b>	<b>21</b>	<b>168</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.e Information on commercial loans with instalments and corporate credit cards:

The Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2012: None).

##### 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	5.366	-
Private	9.166.876	6.885.594
<b>Total</b>	<b>9.172.242</b>	<b>6.885.594</b>

##### 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	9.123.098	6.860.399
Foreign loans	49.144	25.195
<b>Total</b>	<b>9.172.242</b>	<b>6.885.594</b>

##### 5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	261.703	185.532
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>261.703</b>	<b>185.532</b>

##### 5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	17.327	59
Loans and receivables with doubtful collectability	6.378	5.316
Uncollectible loans and receivables	12.548	8.400
<b>Total</b>	<b>36.253</b>	<b>13.775</b>

The Bank allocates 100% provision for all non-performing loans regardless of the collaterals.

##### 5.j Information on non-performing loans (net):

###### 5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	-	9.515
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	9.515
<b>Prior Period</b>			
(Gross amounts before provisions)	-	5.315	4.420
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.315	4.420

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

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## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.j.2 Movement of non-performing loans:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
Prior period end balance	59	5.316	8.400
Additions (+)	23.642	46	66
Transfers from other categories of non-performing Loans (+)	-	6.374	5.358
Transfers to other categories of non-performing loans (-)	(6.374)	(5.358)	-
Collections (-)	-	-	(1.276)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>17.327</b>	<b>6.378</b>	<b>12.548</b>
Specific provision (-)	(17.327)	(6.378)	(12.548)
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Prior Period</b>			
Prior period end balance	5.313	5.978	14.382
Additions (+)	59	1	127
Transfers from other categories of non-performing Loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-)	(5.313)	(663)	(6.109)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>59</b>	<b>5.316</b>	<b>8.400</b>
Specific provision (-)	(59)	(5.316)	(8.400)
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Collections" line.

#### 5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	15.099	-	5.362
Specific Provision (-)	(15.099)	-	(5.362)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>			
Period End Balance	56	5.314	48
Specific Provision (-)	(56)	(5.314)	(48)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	17.327	6.378	12.548
Specific Provision Amount (-)	(17.327)	(6.378)	(12.548)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	59	5.316	8.400
Specific Provision Amount (-)	(59)	(5.316)	(8.400)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

#### 5.k Main principles of liquidating loans and receivables:

If there are collaterals received complying Article 9 of the Communiqué regarding "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", these collaterals are converted into cash immediately using either administrative or legal procedures in order to collect those receivables.

In cases of no collaterals, several financial investigations are made to determine whether any property holdings are subsequently acquired by applying legal procedures, even if there is evidence of insolvency for the debtor.

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economic environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

#### 5.l Explanations about the write-off policies from the assets:

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	7.488.057	1.684.011	174	-	9.172.242
Past due not impaired	-	-	-	-	-
Individually impaired	12.352	23.901	-	-	36.253
<b>Total</b>	<b>7.500.409</b>	<b>1.707.912</b>	<b>174</b>	<b>-</b>	<b>9.208.495</b>
Less: allowance for individually impaired loans	(12.352)	(23.901)	-	-	(36.253)
<b>Total allowance for impairment</b>	<b>(12.352)</b>	<b>(23.901)</b>	<b>-</b>	<b>-</b>	<b>(36.253)</b>
<b>Net Loan Amount</b>	<b>7.488.057</b>	<b>1.684.011</b>	<b>174</b>	<b>-</b>	<b>9.172.242</b>
Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	5.267.351	1.613.950	168	3.140	6.884.609
Past due not impaired	-	985	-	-	985
Individually impaired	6.875	6.900	-	-	13.775
<b>Total</b>	<b>5.274.226</b>	<b>1.621.835</b>	<b>168</b>	<b>3.140</b>	<b>6.899.369</b>
Less: allowance for individually impaired loans	(6.875)	(6.900)	-	-	(13.775)
<b>Total allowance for impairment</b>	<b>(6.875)</b>	<b>(6.900)</b>	<b>-</b>	<b>-</b>	<b>(13.775)</b>
<b>Net Loan Amount</b>	<b>5.267.351</b>	<b>1.614.935</b>	<b>168</b>	<b>3.140</b>	<b>6.885.594</b>

A reconciliation of the allowance for impairment losses and advances by classes is as follows:

	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2013</b>	<b>(6.875)</b>	<b>(6.900)</b>	<b>-</b>	<b>-</b>	<b>(13.775)</b>
Charge for the year	(6.453)	(17.301)	-	-	(23.754)
Recoveries	976	300	-	-	1.276
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2013</b>	<b>(12.352)</b>	<b>(23.901)</b>	<b>-</b>	<b>-</b>	<b>(36.253)</b>
	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2012</b>	<b>(12.437)</b>	<b>(13.236)</b>	<b>-</b>	<b>-</b>	<b>(25.673)</b>
Charge for the year	(125)	(62)	-	-	(187)
Recoveries (*)	5.687	6.398	-	-	12.085
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2012</b>	<b>(6.875)</b>	<b>(6.900)</b>	<b>-</b>	<b>-</b>	<b>(13.775)</b>

(\*) Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Charge for the year" line.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

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## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

A breakdown of the allowance for impairment losses is given below:

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(12.352)	(23.901)	-	-	(36.253)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	12.352	23.901	-	-	36.253
Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(6.875)	(6.900)	-	-	(13.775)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	6.875	6.900	-	-	13.775

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
At 1 January	13.775	25.673
Charge for the year	23.754	187
Recoveries	(1.276)	(12.085)
Amounts written off	-	-
Interest accrued on impaired loans and other receivables	-	-
At 31 December	36.253	13.775
Individual impairment	(36.253)	(13.775)
Gross amount of loans, individually determined to be impaired, (before deducting any individually assessed impairment allowance)	36.253	13.775

Aging analysis of past due but not impaired financial assets per class of financial statements is as follows:

Current Period	Less than 30 days	31- 60 Days	61- 90 Days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Prior Period	Less than 30 days	31- 60 Days	61- 90 Days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	985	-	-	-	985
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	985	-	-	-	985

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## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Of the total aggregate amount of gross past due but not yet impaired loans and other receivables, the fair value of collaterals, capped with the respective outstanding loan balance, is as follows:

	Current Period	Prior Period
Residential, commercial and industrial property	-	985
Financial assets	-	-
Other (bailment, pledge for vehicles and ship)	-	-
<b>Total</b>	<b>-</b>	<b>985</b>

Loans and other receivables amounting to TL 7.915.323 have floating interest rates (31 December 2012: TL 6.286.381) and the remaining TL 1.256.919 have fixed interest rates (31 December 2012: TL 599.213).

#### 6. Information on held-to-maturity investments

As of the reporting date, the Bank has no held-to-maturity investments. (31 December 2012: None).

#### 7. Information on associates (net)

##### 7.a.1 Information on associates:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,36
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,00	20,00

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
İş Faktoring	971.615	69.461	648	58.840	15	11.944	4.574	-
İş Finansal	3.492.581	603.638	2.514	193.803	64	39.589	18.776	115.139
İş Girişim	420.681	268.703	84.272	-	-	68.664	68.403	28.772
Terme (*)	13.764	3.715	563	239	-	197	230	-
Ege Tarım (*)	11.346	11.265	9.102	65	-	(1.210)	(353)	-

(\*) Represents for the period ended 30 September 2013 financial statements. Prior year profit/loss is obtained from 30 September 2012 financial statements.

##### 7.a.2 Information on associates:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>141.127</b>	<b>129.479</b>
Movements During the Period	11.201	11.648
Purchases	120	420
Bonus Shares Obtained	16.769	15.555
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	(5.688)	(4.327)
<b>Balance at the End of the Period</b>	<b>152.328</b>	<b>141.127</b>
Capital Commitments	-	120
Share Percentage at the End of the Period (%)	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### Information on associates sold in the current period

In the current period the Bank has not disposed any associates.

##### Information on associates purchased in the current period

The Bank has obtained bonus shares amounting to TL 10.100 with share capital increase of İş Finansal Kiralama A.Ş. amounting to TL 35.365, TL 1.449 with share capital increase of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. amounting to TL 8.694, and TL 5.220 with share capital increase of İş Faktoring A.Ş. amounting to TL 24.000. In the meeting of the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. held on 22 November 2012; it has been resolved that, paid-in capital of the Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. will be increased in cash from TL 11.152 to TL 13.552 and the Bank has made a capital commitment with the shares of 10 % amounting to TL 240 and has paid the amounting to TL 120 on 31 December 2012, the other half of commitment amounting to TL 120 was paid on 29 March 2013.

##### 7.a.3 Sectoral information of associates subject to consolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	6.771	1.551
Leasing Companies	115.139	113.320
Financial Service Companies	-	-
Other Financial Associates	28.772	24.730

##### 7.a.4 Information on associates subject to consolidation quoted on stock market:

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	143.911	138.050
Associates quoted on foreign stock exchanges	-	-

### 8. Information on subsidiaries (net)

#### 8.a.1 Information on subsidiaries:

Current Period	YFAŞ	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.400	5.739
Current and Prior Years' Profit/Loss	5.366	53.671
Leasehold Improvements (-)	(1.665)	-
Intangible Assets (-)	(593)	(6)
<b>Total Core Capital</b>	<b>69.283</b>	<b>209.997</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>1.138</b>	<b>-</b>
<b>CAPITAL</b>	<b>70.421</b>	<b>209.997</b>
<b>NET AVAILABLE CAPITAL</b>	<b>70.421</b>	<b>209.997</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

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## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	YFAŞ	TSKB GYO
<b>CORE CAPITAL</b>		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.598	5.721
Current and Prior Years' Profit/Loss	827	79.513
Leasehold Improvements (-)	(675)	-
Intangible Assets (-)	(394)	(3)
<b>Total Core Capital</b>	<b>66.131</b>	<b>235.824</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>80</b>	<b>-</b>
<b>CAPITAL</b>	<b>66.211</b>	<b>235.824</b>
<b>NET AVAILABLE CAPITAL</b>	<b>66.211</b>	<b>235.824</b>

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article 519 of the Turkish Commercial Code numbered 6102.

There is no internal capital adequacy assessment approach for the subsidiaries.

8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Bank are not subject to minimum capital requirement.

#### 8.b.1 Information on subsidiaries:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul/Turkey	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YFAŞ)	Istanbul/Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	66,84
4	TSKB Gayrimenkul Danışmanlık A.Ş. (TGD A.Ş.)	Istanbul/Turkey	46,58	100,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD	10.972	8.395	1.265	124	-	2.177	2.568	-
YFAŞ.	486.249	73.110	4.226	24.969	803	2.966	2.725	-
TSKB GYO	376.188	208.995	335.483	1.117	-	(26.167)	17.048	66.375
TGD A.Ş.	559	567	-	-	-	(7)	(215)	-

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 8.b.2 Information on subsidiaries:

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>136.468</b>	<b>118.888</b>
Movements in period	(1.770)	17.580
Purchases	-	-
Bonus shares obtained	-	7.184
Current year share of profit	-	-
Sales <sup>(*)</sup>	-	(6.548)
Revaluation increase	-	16.944
Provision for impairment	(1.770)	-
<b>Balance at the end of the period</b>	<b>134.698</b>	<b>136.468</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(\*)</sup> As of 31 December 2012, TSKB Yatırım Ortaklığı A.Ş. is excluded from subsidiaries due to merger with İş Yatırım Ortaklığı A.Ş.. Cost of TSKB Yatırım Ortaklığı A.Ş. is presented in "Sales" line.

##### *Subsidiaries disposed in the current period*

In the current period, the Bank has not disposed any subsidiaries.

##### *Subsidiaries purchased in the current period*

In the current period, the Bank has not purchased any subsidiaries.

##### 8.b.3 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	134.086	135.856

##### 8.b.4 Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	66.375	68.145
Subsidiaries quoted on foreign stock exchanges	-	-

### 9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (31 December 2012: None).

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## Notes to the Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 10. Information on finance lease receivables (net)

###### 10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	4.573	4.518	6.073	5.829
Between 1- 4 years	-	-	3.685	3.603
More than 4 years	-	-	-	-
<b>Total</b>	<b>4.573</b>	<b>4.518</b>	<b>9.758</b>	<b>9.432</b>

###### 10.b The information on net investments in finance leases:

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>4.573</b>	<b>9.758</b>
Unearned revenue from finance leases (-)	(55)	(326)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>4.518</b>	<b>9.432</b>

10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:

Finance lease agreements are made in accordance with the related articles of Financial Leasing, Factoring and Financing Company Law No 6361. There are no restructuring or restrictions; which has material effect on financial statements.

##### 11. Information on derivative financial assets for hedging purposes

The Bank has no derivative financial assets for hedging purposes as of the reporting date (31 December 2012: None).



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 12. Explanations on tangible assets (net)

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Transfer	Current Period End
Cost					
Land and buildings <sup>(*)</sup>	7.485	-	-	-	7.485
Assets held under finance leases	2.259	-	(666)	-	1.593
Vehicles	1.124	-	(156)	-	968
Assets held for resale	1.380	170	(347)	-	1.203
Other	8.525	492	(80)	-	8.937
<b>Total Cost</b>	<b>20.773</b>	<b>662</b>	<b>(1.249)</b>	-	<b>20.186</b>
Accumulated depreciation					
Land and buildings <sup>(*)</sup>	(2.447)	(241)	-	-	(2.688)
Assets held under finance leases	(2.040)	(58)	666	-	(1.432)
Vehicles	(833)	(164)	156	-	(841)
Assets held for resale	(14)	(7)	4	-	(17)
Other	(6.780)	(707)	80	-	(7.407)
<b>Total accumulated depreciation</b>	<b>(12.114)</b>	<b>(1.177)</b>	<b>906</b>	-	<b>(12.385)</b>
Impairment provision					
Land and buildings <sup>(*)</sup>	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(447)	(19)	-	-	(466)
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>(447)</b>	<b>(19)</b>	-	-	<b>(466)</b>
<b>Net book value</b>	<b>8.212</b>	<b>(534)</b>	<b>(343)</b>	-	<b>7.335</b>

<sup>(\*)</sup> Land and Buildings also include lands and buildings held under finance leases.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Transfer	Current Period End
Cost					
Land and buildings <sup>(*)</sup>	7.577	-	(92)	-	7.485
Assets held under finance leases	2.344	16	(101)	-	2.259
Vehicles	1.153	-	(29)	-	1.124
Assets held for resale	1.440	195	(255)	-	1.380
Other	7.978	701	(154)	-	8.525
<b>Total Cost</b>	<b>20.492</b>	<b>912</b>	<b>(631)</b>	<b>-</b>	<b>20.773</b>
Accumulated depreciation					
Land and buildings <sup>(*)</sup>	(2.204)	(243)	-	-	(2.447)
Assets held under finance leases	(2.014)	(127)	101	-	(2.040)
Vehicles	(652)	(194)	13	-	(833)
Assets held for resale	(5)	(9)	-	-	(14)
Other	(6.169)	(765)	154	-	(6.780)
<b>Total accumulated depreciation</b>	<b>(11.044)</b>	<b>(1.338)</b>	<b>268</b>	<b>-</b>	<b>(12.114)</b>
Impairment provision					
Land and buildings <sup>(*)</sup>	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(437)	(20)	10	-	(447)
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>(437)</b>	<b>(20)</b>	<b>10</b>	<b>-</b>	<b>(447)</b>
<b>Net book value</b>	<b>9.011</b>	<b>(446)</b>	<b>(353)</b>	<b>-</b>	<b>8.212</b>

(\*) Land and Buildings also include lands and buildings held under finance leases.

#### 12.a If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:

##### 12.a.1 Events and conditions for recording or reversing impairment:

The Bank recorded 5% impairment provision per year for asset held for sale and tangible assets that are not depreciated.

##### 12.a.2 Amount of recorded or reversed impairment in the financial statements:

In the current period, Bank recorded TL 19 impairment and there is no reversal of impairment (31 December 2012: TL 20; TL 10 impairments reversed).

#### 12.b The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 13. Information on intangible assets

###### 13.a Useful lives and amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

###### 13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

###### 13.c Cost and accumulated amortization at the beginning and end of the period:

	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Current Period</b>				
Software	3.704	(3.086)	3.994	(3.349)
<b>Prior Period</b>				
Software	3.299	(2.847)	3.704	(3.086)

###### 13.d Movement of cost and accumulated amortization for the period:

	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
<b>Current Period</b>				
Cost:				
Software	3.704	290	-	3.994
<b>Total Cost</b>	<b>3.704</b>	<b>290</b>	<b>-</b>	<b>3.994</b>
Accumulated amortization:				
Software	(3.086)	(263)	-	(3.349)
<b>Total Accumulated Amortization</b>	<b>(3.086)</b>	<b>(263)</b>	<b>-</b>	<b>(3.349)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>618</b>	<b>27</b>	<b>-</b>	<b>645</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	3.299	405	-	3.704
<b>Total Cost</b>	<b>3.299</b>	<b>405</b>	<b>-</b>	<b>3704</b>
Accumulated amortization:				
Software	(2.847)	(239)	-	(3.086)
<b>Total Accumulated Amortization</b>	<b>(2.847)</b>	<b>(239)</b>	<b>-</b>	<b>(3.086)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>452</b>	<b>166</b>	<b>-</b>	<b>618</b>

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As at the reporting date, the Bank has no individual intangible asset which is material in the financial statements as a whole (31 December 2012: None).

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As at the reporting date, the Bank has no intangible assets acquired through government grants (31 December 2012: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As at the reporting date, the Bank has no intangible assets acquired with government incentives. (31 December 2012: None).

13.h The book value of intangible assets that are pledged or restricted for use:

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2012: None).

13.i Amount of purchase commitments for intangible assets:

As at the reporting date, the Bank has no purchase commitments for intangible assets (31 December 2012: None).

13.j Information on revalued intangible assets according to their types:

The Bank did not revalue its intangible assets as at the reporting date (31 December 2012: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Bank has no research and development costs expensed in the current period. (31 December 2012: None).

13.l Information on goodwill:

As at the reporting date, the Bank has no goodwill (31 December 2012: None).

13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (31 December 2012: None).

#### 14. Information on Investment Property

The Bank has no investment property (31 December 2012: None).

#### 15. Information on Deferred Tax Assets

15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	11.771	11.496
Other provisions	10.000	10.775
Marketable securities	96	119
Employee benefit provision	1.323	1.381
Valuation of derivative instruments	182	-
Other	320	259
<b>Total Deferred Tax Asset</b>	<b>23.692</b>	<b>24.030</b>
<b>Deferred tax liability:</b>		
Marketable securities	(5.510)	(14.703)
Loan commissions accrual adjustment	(3.111)	(2.395)
Valuation of derivative instruments	-	(2.038)
Useful life difference of fixed assets	(35)	(50)
<b>Total Deferred Tax Liability</b>	<b>(8.656)</b>	<b>(19.186)</b>
<b>Net Deferred Tax Asset</b>	<b>15.036</b>	<b>4.844</b>

15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2012: None).

15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2012: None).

#### 16. Information on Assets Held For Sale

In the current period, the Bank has no assets held for sale (31 December 2012: None).

#### 17. Information about Other Assets

17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the liabilities

##### 1. Information of maturity structure of deposits

###### 1.a.1 Maturity structure of deposits:

The Bank is not authorized to accept deposits.

###### 1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Bank is not authorized to accept deposits.

###### 1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:

The Bank is not authorized to accept deposits.

###### 1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Bank is not authorized to accept deposits.

##### 2. Negative differences table related to derivative financial liabilities held-for-trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative financial liabilities held for trading				
Forward Transactions	-	99	1.565	1.164
Swap Transactions	7.277	10.560	-	17.733
Futures Transactions	-	-	-	-
Options	-	22.848	-	367
Other	-	-	-	-
<b>Total</b>	<b>7.277</b>	<b>33.507</b>	<b>1.565</b>	<b>19.264</b>

##### 3. Information on funds borrowed

###### 3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	222.690	22.000	66.589
From Foreign Banks, Institutions and Funds	-	8.779.565	-	6.796.075
<b>Total</b>	<b>-</b>	<b>9.002.255</b>	<b>22.000</b>	<b>6.862.664</b>

###### 3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	565.123	22.000	270.665
Medium and long-term	-	8.437.132	-	6.591.999
<b>Total</b>	<b>-</b>	<b>9.002.255</b>	<b>22.000</b>	<b>6.862.664</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 3.c Additional information about the concentrated areas of liabilities:

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1.358.005	22.356	1.016.533	50.613
Financial institutions and organizations	1.332.460	-	941.545	-
Other institutions and organizations	21.828	18.857	38.312	39.977
Real persons	3.717	3.499	36.676	10.636
From Foreign Transactions	896	223.875	794	167.239
Financial institutions and organizations	-	221.878	155	166.710
Other institutions and organizations	2	79	-	-
Real persons	894	1.918	639	529
<b>Total</b>	<b>1.358.901</b>	<b>246.231</b>	<b>1.017.327</b>	<b>217.852</b>

#### 4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total

There are no other liabilities, which exceed 10% of the balance sheet total (31 December 2012: None).

#### 5. Explanations on financial lease obligations (net)

##### 5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2012: TL 6).

##### 5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings and 1 branch are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2012: 2 head office buildings, 1 branch under operational leasing).

##### 5.c Explanations on the lessor and lessee in sales and lease back transactions, agreement conditions, and major agreement terms:

The Bank has no sale and lease back transactions as of the reporting date (31 December 2012: None).

#### 6. Information on derivative financial liabilities for hedging purposes

The Bank has no derivative financial liabilities for hedging purposes as of the reporting date (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 7. Information on provisions

###### 7.a Information on general provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>104.331</b>	<b>83.714</b>
Provisions for First Group Loans and Receivables	85.701	72.652
- Additional provisions for the loans with extended payment plan	5.807	5.108
Provisions for Second Group Loans and Receivables	5.868	599
- Additional provisions for the loans with extended payment plan	5.329	-
Provisions for Non-Cash Loans	2.798	2.417
Other	9.964	8.046

###### 7.b Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

The foreign exchange losses on the foreign currency indexed loans amount to TL 614 (31 December 2012: TL 8.426). The foreign exchange losses on the foreign currency indexed loans are netted off from the loans in the financial statements.

###### 7.c The specific provisions provided for unindemnified non cash loans:

The Bank has TL 2.115 specific provisions provided for unindemnified non cash loans as of the reporting date (31 December 2012: None).

###### 7.d Information related to other provisions:

###### 7.d.1 Provision for possible losses:

The Bank has no provision for possible provisions (31 December 2012: None).

###### 7.d.2 Information on employee termination benefits and unused vacation accrual:

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No:19 and reflected the calculated amount to the financial statements.

As of 31 December 2013, TL 8.626 reserve for employee termination benefits was provided against a total undiscounted liability of TL 5.746 (31 December 2012: TL 6.266). As of 31 December 2013, the Bank provided a reserve of TL 868 (31 December 2012: TL 638) for the unused vacations. This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses amounting TL 495 are recognised under Shareholder's Equity since 1 January in accordance with the Revised TAS 19.

###### Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2013, the Group has no obligations on pension rights (31 December 2012: None).

###### Liabilities for pension funds established in accordance with "Social Security Institution"

None (31 December 2012: None).

###### Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2013 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 24 January 2014, there is no need for technical or actual deficit to book provision as of 31 December 2013.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accordingly, as of 31 December 2013 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.15, the accounting policies related with employee benefits.

7.d.3 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:

	Current Period	Prior Period
Provision for Lawsuits	-	125
Other <sup>(*)</sup>	50.000	53.751
<b>Total</b>	<b>50.000</b>	<b>53.876</b>

<sup>(\*)</sup> Other provision account includes TL 50.000 of provision for possible risks on credit portfolio (31 December 2012: TL 50.000).

#### 8. Information on taxes payable

##### 8.a Information on current taxes payable:

###### 8.a.1 Information on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate tax payable	18.009	-	29.690	-
Deferred tax liability	-	-	-	-
<b>Total</b>	<b>18.009</b>	<b>-</b>	<b>29.690</b>	<b>-</b>

###### 8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	18.009	29.690
Taxation of securities	453	621
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.770	1.101
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	85	52
Other	626	573
<b>Total</b>	<b>20.943</b>	<b>32.037</b>

###### 8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	17	16
Unemployment insurance-Employer	33	32
Other	-	-
<b>Total</b>	<b>50</b>	<b>48</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 8.b Information on deferred taxes liabilities:

At the reporting date, the Bank has no deferred tax liability (31 December 2012: None).

##### 9. Information on liabilities regarding assets held for sale

None (31 December 2012: None).

##### 10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any

The Bank has signed an agreement with the International Finance Corporation for a subordinated loan of USD 50 Million (TL 106.000). Turkish Lira equivalent of the loan is amounting to TL 106.000 as of 31 December 2013. The interest accrued on this loan is TL 759 as of the reporting date.

The first agreement date of the loan was 21 September 2004. The first usage date was 5 November 2004. The interest rate is variable; at the reporting date it is 3,36% (0,36+3,00 spread). Principal of the loan will be repaid on 15 October 2016 as a whole.

##### Explanations of subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Financial Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Other Foreign Financial Institutions	-	106.759	-	89.125
<b>Total</b>	-	<b>106.759</b>	-	<b>89.125</b>

##### 11. Information on shareholders' equity

##### 11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.300.000	1.100.000
Preferred stock	-	-

##### 11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so, amount of registered share capital:

Capital System	Paid-in capital	Ceiling
Registered Capital System	1.300.000	2.500.000

##### 11.c Information on share capital increases and their sources; other information on increased capital shares in current period:

In the meeting of the General Assembly held on 26 March 2013, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.100.000 to TL 1.300.000 by TL 200.000. In respect of the resolution of the General Assembly, TL 168.000 of this increase will be incorporated from the profit of the year 2012, TL 32.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 3 May 2013, has been published in the Turkish Trade Registry Gazette No: 8351 on 27 June 2013.

In the prior period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011, TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 11.d Information on share capital increases from capital reserves:

In the current period there is no share capital increases from capital reserves (31 December 2012: None).

##### 11.e Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

##### 11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, profitability and liquidity of the Bank and their trends in the successive periods are followed by Financial Controlling Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses. The Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

##### 11.g Information on preferred shares:

The Bank has no preferred shares (31 December 2012: None)

##### 11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	(11.030)	-	(3.572)	-
Valuation Differences	(9.291)	15.648	59.506	69.385
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(20.321)</b>	<b>15.648</b>	<b>55.934</b>	<b>69.385</b>

##### 11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	75.641	60.278
Second legal reserve	80.627	62.598
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>156.268</b>	<b>122.876</b>

##### 11.j Informations on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	18.597	1.148
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
<b>Total</b>	<b>18.597</b>	<b>1.148</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 11.k Explanations related to equity:

Movement of equity reserves during the period

Current Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As at 1 January	128.891	(3.572)	35.157	374	160.850
Value increase/decrease of available for sale investments recognized directly under equity	(159.038)	(7.458)	-	-	(166.496)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	6.423	-	-	-	6.423
Tax effect of gains on available for sale investments	30.081	-	-	-	30.081
Other <sup>(*)</sup>	-	-	(26.237)	-	(26.237)
As at 31 December	6.357	(11.030)	8.920	374	4.621

<sup>(\*)</sup> In the current period, according to the Article 5-(I)/e of the Turkish Corporate Tax Code No.5520, 75% of the gain on sale of the building amounting to TL 2.856 in the tax purpose financial statements amounting to TL 2.142 is exempt from corporate income tax and for the five years following 2012, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences " account.

Prior Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As at 1 January	9.773	(17.070)	31.174	374	24.251
Value increase/decrease of available for sale investments recognized directly under equity	147.927	12.617	-	-	160.544
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(756)	-	-	-	(756)
Tax effect of gains on available for sale investments	(28.053)	-	-	-	(28.053)
Other <sup>(*)</sup>	-	881	3.983	-	4.864
As at 31 December	128.891	(3.572)	35.157	374	160.850

<sup>(\*)</sup> In the prior period, according to the Article 5-(I)/e of the Turkish Corporate Tax Code No.5520, 75% of the gain on sale of the building amounting to TL 5.311 in the tax purpose financial statements amounting to TL 3.983 is exempt from corporate income tax and for the five years following 2011, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences " account.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations related to the off-balance sheet items

##### 1. Information on off-balance sheet liabilities

##### 1.a Nature and amount of irrevocable loan commitments:

	Current Year	Prior Year
Commitments for Forward Purchase and Sales of Assets	511.345	10.175
Commitments for Use Guaranteed Credit Allocation	4.805	4.007
Commitments for Stock Brokerage Purchase and Sales	5.184	11.244
Commitments for Letter of Credit	15.278	11.902
Commitments from Forward Short Term Borrowing and Transfers	46.740	-
Other	1.593	120
<b>Total</b>	<b>584.945</b>	<b>37.448</b>

##### 1.b Possible losses and commitments related to off-balance sheet items including items listed below:

##### 1.b.1 Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits

As at the reporting date, total letters of credit are TL 438.033 (31 December 2012: TL 572.564).

##### 1.b.2 Guarantees, surety ships, and similar transactions

As at the reporting date, total letters of guarantee given by the Bank is TL 1.015.387 (31 December 2012: TL 635.768).

##### 1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	-	-
With maturity of one year or less than one year	-	-
With maturity of more than one year	-	-
Other non-cash loans	1.453.420	1.212.557
<b>Total</b>	<b>1.453.420</b>	<b>1.212.557</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 1.c.2 Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	375.344	74	849.991	90	160.031	55	668.187	72
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	6.049	1	238.496	25	4.393	1	286.673	31
Electricity, Gas, Water	369.295	73	611.495	65	155.638	54	381.514	41
Construction	12.206	3	5.845	1	4.285	2	4.665	1
Services	118.371	23	91.663	9	122.439	42	248.950	27
Wholesale and Retail Trade	-	-	-	-	-	-	182.048	20
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	11.449	1	-	-	-	-
Financial Institutions	117.734	23	79.668	8	121.959	42	66.434	7
Real Asset and Leasing Services	637	-	546	-	480	-	468	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	4.000	1	-	-
<b>Total</b>	<b>505.921</b>	<b>100</b>	<b>947.499</b>	<b>100</b>	<b>290.755</b>	<b>100</b>	<b>921.802</b>	<b>100</b>

##### 1.c.3 Information on Ist and IInd group non-cash loans:

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	499.681	941.104	290.755	921.802	5.740	2.668	-	-
Letters of Guarantee	499.681	509.466	286.530	349.238	5.740	-	-	-
Bank Acceptances	-	-	-	-	-	-	-	-
Letters of Credit	-	431.635	-	572.564	-	2.668	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	4.225	-	-	-	-	-

The Bank has specific provisions amounting to TL 2.115 (31 December 2012: None) provided for unindemnified and non cash loans amounting to TL 4.230 which are followed under off-balance sheet items as of the reporting date (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	1.897.605	1.252.388
Forward transactions	160.417	475.517
Swap transactions	950.918	657.182
Futures transactions	-	-
Option transactions	786.270	119.689
Interest related derivative transactions (II)	2.528.510	1.677.074
Interest rate swap transactions	2.510.020	1.645.874
Interest option transactions	18.490	31.200
Futures interest transactions	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	4.426.115	2.929.462
Types of hedging transactions	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>4.426.115</b>	<b>2.929.462</b>

As of 31 December 2013, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
<b>Current Period</b>										
TL	-	19.461	72.662	57.746	187.344	183.644	-	-	-	-
US Dollar	29.902	29.750	911.530	1.214.686	125.176	117.884	-	-	-	-
Euro	39.032	17.756	743.735	455.981	89.511	101.201	-	-	-	-
Other	12.258	12.258	2.300	2.298	-	-	-	-	-	-
<b>Total</b>	<b>81.192</b>	<b>79.225</b>	<b>1.730.227</b>	<b>1.730.711</b>	<b>402.031</b>	<b>402.729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>										
TL	55.432	55.189	13.411	14.070	15.734	15.734	-	-	-	-
US Dollar	63.778	63.756	547.368	826.694	40.631	20.069	-	-	-	-
Euro	118.678	118.684	593.050	307.570	18.865	39.856	-	-	-	-
Other	-	-	893	-	-	-	-	-	-	-
<b>Total</b>	<b>237.888</b>	<b>237.629</b>	<b>1.154.722</b>	<b>1.148.334</b>	<b>75.230</b>	<b>75.659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	6.230	(7.482)	950.918	4.518	(188)	657.182
Interest Rate Swap Transactions	9.459	(10.355)	2.510.020	15.312	(17.546)	1.645.874
Forward Transactions	2.796	(99)	160.417	2.980	(2.729)	475.517
Futures Transactions	-	-	-	-	-	-
Option Transactions	22.202	(22.848)	804.760	433	(366)	150.889
Other	-	-	-	-	-	-
<b>Total</b>	<b>40.687</b>	<b>(40.784)</b>	<b>4.426.115</b>	<b>23.243</b>	<b>(20.829)</b>	<b>2.929.462</b>

#### Fair value hedge

For the year ended 31 December 2013, the Bank does not have any under hedge accounting (31 December 2013: None).

#### Cash flow hedge

For the year ended 31 December 2013, the Bank does not have any items related to cash flow hedges (31 December 2012: None).

#### 3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2012: None).

#### 4. Explanations on contingent liabilities and assets

There are 18 legal cases against the Bank which are amounting to TL 855 as of the reporting date (31 December 2012: TL 825 - 15 legal cases).

An inspection, including the period between 2008-2011 years, has been made by the inspectors of the Inspection Board relating to payments by the Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" (The Foundation) which was founded according to Turkish Commercial Law and Civil Law, as all complementary social security foundations. As a result, an inspection report was issued stating that the Bank is liable, in accordance with the regulation on foundations, regarding the benefits of the members of the foundations and the amounts that the existing employees are liable could not be deducted from tax base and therefore imposing penal income withholding tax/stamp duty. Accordingly, tax/stamp duty and tax penalty totally amounting to TL 17.325 have been notified to the Bank. The Bank assesses that the Bank's practice is in compliance with the legislation and there is no legal basis for the tax administration's suspended assessments, therefore, there is no need for provision. The Bank has used the legal rights for that assessment. No provision has been provided as of the reporting date.

#### 5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.



Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

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## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement

##### 1. Information on interest income

###### 1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans <sup>(*)</sup>				
Short term loans	11.995	8.975	9.864	9.749
Medium and long term loans	87.265	285.266	80.673	233.951
Interest on non-performing loans	1.078	-	219	514
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>100.338</b>	<b>294.241</b>	<b>90.756</b>	<b>244.214</b>

(\*) Commission income from loans have been included to the interest on loans.

###### 1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	276	16	80	224
Foreign banks	-	-	1	1
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>276</b>	<b>16</b>	<b>81</b>	<b>225</b>

###### 1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	339	7	1.279	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	204.057	23.945	208.945	28.382
Investments Held to Maturity	-	-	7.693	-
<b>Total</b>	<b>204.396</b>	<b>23.952</b>	<b>217.917</b>	<b>28.382</b>

###### 1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	8.735	8.108

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 2. Information on interest expenses

###### 2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	693	5.743	157	6.073
The Central Bank of Turkey	-	-	4	-
Domestic banks	595	665	124	695
Foreign banks	98	5.078	29	5.378
Branches and head office abroad	-	-	-	-
Other financial institutions	-	77.613	-	84.231
<b>Total (*)</b>	<b>693</b>	<b>83.356</b>	<b>157</b>	<b>90.304</b>

(\*) Commissions given to other financial institutions have been included to interest expense on funds borrowed.

###### 2.b Information on interest expense to associates and subsidiaries:

The Bank has no interest expense to its associates and subsidiaries. (31 December 2012 : None)

###### 2.c Information on interest expense to securities issued:

The Bank has no interest expense to its associates and subsidiaries. (31 December 2012 : None)

##### 3. Information on dividend income

	Current period	Prior period
Financial Assets held for Trading	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Financial Assets Available For Sale	6.841	1.553
Other	23.474	26.158
<b>Total</b>	<b>30.315</b>	<b>27.711</b>

##### 4. Information on net trading income (net)

	Current Period	Prior Period
<b>Profit</b>	<b>573.891</b>	<b>328.715</b>
Gains on capital market operations	6.962	2.323
Gains on derivative financial instruments (*)	154.036	108.398
Foreign exchange gains	412.893	217.994
<b>Losses (-)</b>	<b>(586.731)</b>	<b>(328.435)</b>
Losses on capital market operations	(3.337)	(4.115)
Losses on derivative financial instruments (*)	(162.590)	(98.819)
Foreign exchange losses	(420.804)	(225.501)

(\*) Foreign exchange gain from derivative transactions amounting to TL 104.174 is presented in "Profit on derivative financial instruments" (31 December 2012: TL 69.505), foreign exchange loss from derivative transactions amounting to TL (108.049) is presented in "Losses on derivative financial instruments" (31 December 2012: TL (58.092)).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	5.151	13.067
Gains on Sale of Assets	854	2.962
From Associate and Subsidiary Sales	756	-
From Immovable Fixed Asset Sales	33	2.912
From Property Sales	65	50
From Other Asset Sales	-	-
Other	1.800	2.678
<b>Total</b>	<b>7.805</b>	<b>18.707</b>

##### 6. Provision expenses related to loans and other receivables of the Bank

	Current Period	Prior Period
Specific provisions for loans and other receivables	25.765	187
III. Group	25.653	59
IV. Group	46	1
V. Group	66	127
General provision expenses	20.617	19.150
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.856	1.088
Trading securities	-	8
Investment securities available for sale	1.856	1.080
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (joint vent.)	-	-
Investment securities held to maturity	-	-
Other	-	13.750
<b>Total</b>	<b>48.238</b>	<b>34.175</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	46.608	43.807
Reserve for employee termination benefits	204	2.930
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.170	1.329
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	263	239
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	19	20
Depreciation expenses of assets for resale	7	9
Impairment expenses of assets held for sale	-	-
Other operating expenses	16.178	15.245
Rent expenses	7.014	6.786
Maintenance expenses	454	523
Advertisement expenses	603	332
Other expenses	8.107	7.604
Loss on sale of assets	20	110
Other	8.721	8.785
<b>Total</b>	<b>73.190</b>	<b>72.474</b>

#### 8. Information on net profit from continued and discontinued operations before tax:

As of 31 December 2013, net profit of the Bank has increased by 4,73% compared to prior year (31 December 2012: 20,48%). Net interest income of the Bank has increased by 12,96% compared to prior year (31 December 2012: 18,17%).

#### 9. Information on tax provision for continued and discontinued operations

##### 9.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Bank's current tax charge for the period is TL 55.093 (31 December 2012: TL 94.286). Deferred tax charge is TL 19.744 (31 December 2012: TL 18.757 tax benefit).

##### 9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax charge calculated on temporary differences is TL 19.744 (31 December 2012: TL 18.757 tax benefit).

##### 9.c Information related to deferred tax benefit/charge on temporary differences, losses, tax deductions and exceptions:

As of 31 December 2013, deferred tax charge calculated based on temporary timing differences is TL 19.744 (31 December 2012: TL 18.757 tax benefit). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (31 December 2012: None).

In addition, TL 2.183 deferred tax (31 December 2012: TL 32.264), which is calculated over the fair value differences on available for sale securities, is offset against the "available for sale securities value increase fund" item under equity, and TL 145 deferred tax, which is calculation over actuarial difference on employee benefit is offset against the "other profit reserves" item under equity.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 10. Information on net profit from continued and discontinued operations:

As of 31 December 2013, net profit of the Bank has increased by 6,12% compared to prior net profit (31 December 2012: 20,33%).

#### 11. Information on net profit/loss

11.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:

The Bank has generated TL 637.646 interest income, TL 151.309 interest expenses and TL 10.705 net fee and commission income from banking operations (31 December 2012: TL 589.384 interest income, TL 158.863 interest expense, TL 12.223 net fee and commission income).

11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There has no change in the accounting estimates and accordingly effect on the financial statement items.

11.c Minority share of profit and loss:

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (31 December 2012: None).

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

None other than other operating expense explained in note IV.7, exceeds 10% of the income statement.

### V. Explanations related to statement of changes in shareholders' equity

#### 1. Informations related to capital

As of 31 December 2013, the shareholders and capital structure of the Bank are as follows :

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	650.001	50,00	650.001	-
T. Vakıflar Bankası T.A.O.	108.907	8,38	108.907	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	541.092	41,62	541.092	-
<b>Total</b>	<b>1.300.000</b>	<b>100,00</b>	<b>1.300.000</b>	<b>-</b>
Prior Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

In the meeting of the General Assembly held on 26 March 2013, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.100.000 to TL 1.300.000 by TL 200.000. In respect of the resolution of the General Assembly, TL 168.000 of this increase will be incorporated from the profit of the year 2012, TL 32.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 3 May 2013, has been published in the Turkish Trade Registry Gazette No: 8351 on 27 June 2013.

In the prior period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011, TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

#### 2. Information on the increase arising from the revaluation of securities available-for-sale

As of 31 December 2013, TL 8.540 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 2.183 deferred tax is offset against value increase related to these investments and as a result, TL 6.357 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

In the prior period, TL 161.155 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 32.264 deferred tax is offset against value increase related to these investments and as a result, TL 128.891 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

#### 3. Information on increases in the cash flow hedges

There is no increase in the cash flow hedges.

#### 4. Reconciliation between beginning and ending balances for foreign currency differences

There is no difference in the beginning and ending balances for foreign currency differences.

#### 5. Information on the decrease arising from the revaluation of securities available-for-sale

The decrease arising from the revaluation of securities available-for-sale is explained in Note V.2, above.

#### 6. Information about Dividends

##### 6.a Dividends declared subsequent to the reporting date, but before the announcement of the financial statements:

Dividends related with the equity shares are determined by the General Assembly of the Shareholders. Number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the approval of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The profit distribution will be approved at the General Assembly, which is not yet held as of the date of the financial statements authorized for issue.

##### 6.b Net dividend per share proposed after the reporting date:

As noted above as of the date of this report, the Bank has not yet computed its distributable profit and earnings per share for the approval in the General Assembly.

#### 7. Amounts transferred to legal reserves

In the current year, TL 33.392 was transferred to the legal reserves (31 December 2012: TL 27.515).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 8. Offsetting of the prior period's losses

There is no offsetting of accumulated losses made during the current and prior year.

#### VI. Explanations related to statement of cash flows

##### 1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

In the current period, other income, TL 7.555, consists of gain on sale of assets, capital market transaction income and non-interest income (31 December 2012: TL 28.286 gain on sale of assets, derivative financial transaction income and non-interest income).

Other caption in changes in assets and liabilities from banking operations, TL 87.414 consists of taxes paid, except derivative financial transaction losses, employee termination benefits provision and depreciation expense other operating expenses and fees and commissions paid (31 December 2012: TL (29.657) consists of taxes paid, except capital market transaction losses, financial leases expenses, employee termination benefits provision and depreciation expenses other operating expenses and fees and commissions paid).

In the current period, net increase/decrease item in other assets amounting to TL (227.717) (31 December 2012: TL 62.750), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL 332.941 (31 December 2012: TL 319.230), consists of borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized as expense amounting to TL 7.536 (31 December 2012: TL (2.820) income).

##### 2. Information about cash flows from acquisition of associates, subsidiaries, and other investments

In the current period, the Bank invested TL 662 in movable fixed assets and properties and invested TL 219 in intangible fixed assets. There is TL 120 investment in associates and subsidiaries.

In the prior period, the Bank invested TL 912 in movable fixed assets and properties and invested TL 405 in intangible fixed assets. There is TL 420 investment in associates and subsidiaries.

##### 3. Information about disposal of associates, subsidiaries, and other investments

The total amount of purchases or sales of related account and their cash and cash equivalents;

In the current period, the Bank has generated a cash inflow of TL 1.197 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period the Bank has generated a cash inflow of TL 3.325 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 4. Information on cash and cash equivalents at the end of the period

Information on cash and cash equivalents at the beginning of the period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	27.995	8.133
Cash Equivalents	37.571	59.553
<b>Total</b>	<b>65.566</b>	<b>67.686</b>

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	36	27.995
Cash Equivalents	85.525	37.571
<b>Total</b>	<b>85.561</b>	<b>65.566</b>

##### 5. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

There are no cash and cash equivalents restricted for the usage of the Bank and affiliates by legal limitations and other reasons.

##### 6. Additional Information related to financial position and liquidity of the Bank

###### 6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

###### 6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

### VII. Explanations on the risk group of the bank

#### 1. Information on the volume of transactions related to the Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

##### 1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	185.532	412	107.017	117.413	44.671	4.225
Balance at End of Period	261.703	262	112.840	117.413	91.627	-
Interest and Commission Income	8.730	5	2.616	294	3.318	-



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 1.b Prior Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	200.426	490	57.506	117.413	41.643	-
Balance at End of Period	185.532	412	107.017	117.413	44.671	4.225
Interest and Commission Income	8.103	5	2.082	294	2.031	-

##### 1.c Information on deposit held by Bank's own risk group:

The Bank is not authorized to accept deposits.

##### 2. Information on forward, option and other similar agreements made with Bank's own risk group

The Bank has no forward, option and other similar agreements made with Bank's own risk group (31 December 2012: None).

##### 3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to the key management personnel in the current period amount to TL 7.168 (31 December 2012: TL 6.310).

#### VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:

##### 1. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank

	Number	Number of Employees	Country of Incorporation	Total Asset	Capital
Domestic branches	2	316			
Foreign Rep-offices	-	-			
Foreign Branches	-	-		-	-
Off-shore Banking Region Branches	-	-		-	-

##### 2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly

In the current year, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

In the prior period, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches. In the Board of Directors meeting held on 25 January 2012; it was decided to close the Bahrain Branch of the Bank and in this context, General Management was authorized for the required operations. In accordance with the decision, the Bank management has started to executions in order to terminate the Bahrain Branch activities. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SIX

#### OTHER EXPLANATIONS

##### I. Other explanations related to operations of the Bank

##### 1.a Brief information related to rating carried out by international rating firms:

##### FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	BBB-
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	F3
Support Note	2
Support Note Base	BBB-
National Note	AAA
National Note Outlook	Stable

Information above is received from Fitch Ratings report dated 31 October 2013.

##### MOODY'S

Financial Rating Note	D+
Outlook	Stable
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3

Information above represents updated information as of 3 July 2012.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SIX (Continued)

#### OTHER EXPLANATIONS (Continued)

##### 1.b Informations on corporate governance rating of the Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, declared the Bank's corporate governance rating of 9,11 over 10 (91,09%) has increased to 9,40 (94,03%) on its revision report dated 21 October 2013 based on the investigation performed. With respect to CMB's resolution, ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are revised and declared as; 88,65 (Weight: 25%), 97,08 (Weight: 25%), 95,44 (Weight: 15%), 95,08 (Weight: 35%) respectively.

##### II. Other explanations related to the events after the reporting date

As of 31 January 2014, the Bank has sold all Takasbank-İstanbul Takas ve Saklama Bankası A.Ş. shares representing 5% of its nominal amount of TL 21.000 to Borsa İstanbul A.Ş. at a price of TL 33.390 and the sale amount was collected within the same day.

### SECTION SEVEN

#### INDEPENDENT AUDITORS' REPORT

##### I. Explanations on the independent auditors' review report

Unconsolidated financial statements and the notes to the financial statements as at 31 December 2013 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("the Turkish member firm of KPMG International Cooperative, a Swiss entity"). The independent auditors' report dated 4 February 2014 is presented at the beginning of the financial statements and related notes.

##### II. Explanations and notes prepared by independent auditor

There are no other explanations and notes not expressed in sections above related with the Bank's operations.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Assessment of Financial Standing, Profitability and Solvency

2013 was a very successful year where the equities grew stronger and the budget targets were fulfilled despite the economic and political uncertainties. The total size of assets in TL terms surged up by 25.5% year-on-year to TL 12,911 million. The total asset size in USD terms reached USD 6,090 million.

In 2013, the total amount of medium and long-term loan agreements signed was USD 1.7 billion. As a result of the successful performance of the marketing efforts, the amount of new loan disbursements was around USD 1.4 billion. The Bank's loan book reached TL 9,177 with an annual growth of 33.1% in TL terms in 2013. The FX-adjusted annual growth was 11%.

The ratio of loan to total assets as of the end of 2013 was around 71.1% (2012: 67%). The breakdown of the loan portfolio by currency type (including FX-indexed loans) was in line with the composition of funds borrowed: 40% EUR, 54% USD. TL loans formed only 6% of the loan portfolio of our Bank. 94% of our loan portfolio consists of foreign currency medium and long term investment and working capital loans.

The energy production and energy efficiency sectors made up a significant concentration in the loan disbursements in 2013. In the sectoral breakdown of the loan portfolio, the energy production sector constitutes 33%, which is followed by finance sector with 14% and real estate with 9% share. The ratio of the energy efficiency loans in the total portfolio reached 7% as of 2013 year end.

The ratio of non-performing loans -100% provisioned- to total gross loan book was 0.4 (2012: 0.2%) as of 2013. The nominal amount of non-performing loans equaled to TL 36.2 million.

Surging up by 20%, non-cash loans amounted to TL 1,453 million (2012: TL 1,213 million). The weight of non-cash loans within the Bank's commission income which continued to stagnate around high levels due to conjunctural reasons equaled to 63% in 2013 (2012: 73%).

Securities book, which makes up the second biggest asset category after loans with a ratio of 23%, reached TL 2,922 million with 2.7% increase compared to previous year. 100% of the securities portfolio consists of securities available for sale, and 87% of it is composed of Turkish Lira instruments. There has not been a major change in the securities portfolio, despite the security purchases made in accordance with the global conjuncture and Central Bank's policies and redemptions in 2013. While the weight of CPI-linkers in the TL portfolio as of the year-end increased slightly to 26% from 24% of the previous year-end, the weight of the all floating rate notes including CPI-linkers eased up to 73% from 72%. With respect to funding side, global and political developments in the second half of the year initiated an upward trend in the funding costs which recorded historically low levels until the midst of year.

Shooting up by 30.6% compared to previous year, the funds borrowed reached TL 9,109 million. Approximately all of the funds borrowed consist of foreign currency resources secured from multilateral institutions. 94% of our funds consist of medium and long-term loans. These long-term funds are used to finance the asset side lending. 91% of the long term funding is secured by the guarantee of the Undersecretariat of Turkish Treasury. Our Bank has continued building successful relationships with supranational financial institutions in 2013, as well. Throughout the whole year, TSKB signed funding agreements equaling in total to USD 660 million which composes of USD 75 million from IFC, Euro 250 million from EIB, Euro 100 million from CEB and Euro 100 million from KfW. Moreover, the Bank secured a syndication loan amounting to USD 133 million with the participation of 11 banks from 8 countries.

Due to the fact that the borrowing and lending interest rate structures on the assets and liabilities sides are variable and the term structures of funds borrowed are longer than those of loans, the Bank does not incur interest rate or liquidity mismatch. Furthermore, since the currencies of loans are in line with those of funds borrowed, the Bank's exposure to exchange rate risk is close to zero.

Increasing its shareholders' equity by 7.4%, compared to previous year, to TL 1,885 million, the Bank recorded a capital adequacy ratio of 18.2% which is considerably above legal requirements (Capital Adequacy Ratio in 2012: 20.4%). The Bank has TL 1.5 billion in free capital, which corresponds to 11.9% of its total assets (2012: 13.9%). The free capital consists entirely of liquid assets.

The pretax profit reached TL 400.9 million with 4.7% increase, while net profit amounted to TL 326.1 million which is up by 6.1% year-on-year basis. In parallel, the average return on equity for the year was 17.9% while the Bank's return on assets ratio was 2.8%.

The net interest income in 2013 increased by 13% year-on-year basis and reached TL 486.3 million. Net interest margin was 4.3%. (2012: 4.6%)

Other operating expenses which include the personnel and other operating expenses in 2013 amounted to TL 73.2 million with a slight increase of 1%. The cost to income ratio is 14% which is far below the sector average (2012: 14.8%).

The total amount of donations and charity equaled to TL 20,682 in 2013. The expenses incurred for the social responsibility projects amounted to TL 21,147.

At the end of 2013, the ratio of TSKB's interest-bearing assets to total assets was 94%. Such a high level is another factor that enhances the Bank's solvency. The fact that Bank's funding structure is long-term and sustainable as a result of close and long-term relationships with supranational organizations is expected to have a continued positive impact on both the profitability and the solvency of the Bank.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Information on Risk Policies Based on Risk Types

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles.

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the bank. Its duties, responsibilities and structure have been established by the Regulation of Risk Management Department.

### Credit Risk Management Policy

Credit risk is the possibility that the credit customer or a counterparty of an agreement being unable to fulfill the obligations pursuant to the conditions of the agreement. Whilst the most common and apparent source of credit risk is the loans granted by the Bank, other banking services carrying counterparty risk also carry credit risk. In this regard, all related banking activities are evaluated within the scope of credit risk.

Credit risk is measured and managed by taking into account the structure and characteristics of the credit, the terms and conditions of the credit agreement and financial conditions, the structure of the risk profile until the end of the maturity in parallel with possible market movements, guarantees and collaterals, internal risk ratings, possible changes in ratings during the risk exposure period, concentrations (one single company, group of affiliated companies, sector, country, etc.) and compliance with limits established by the Board of Directors to prevent such concentrations.

In measuring credit risk, the Internal Rating Based Model is used for the purposes of monitoring and controlling the credit risk and providing early warning.

Maximum effort is taken to ensure that limits and policies in agreements with foreign and domestic sources do not diverge to a significant degree from the policies and limits set by the Bank. Despite the clauses in the agreements deviate from the existing policies, they are still accepted to be in force.

### Asset-Liability Management Risk Policies

All financial risks arising from the Bank's assets and liabilities other than credit risk are defined as asset-liability management risks. The market risk of the trading portfolio, structural interest rate risk and liquidity risk fall into this category.

#### i - Market Risk Management Policy

Market risk is the possibility of portfolio or position loss in the scope of trading portfolio resulting from fluctuations in interest rates, stock prices, commodity prices or exchange rates on the financial markets. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Market risk is managed by using consistent risk measurement and criteria such as fluctuation level of interest and/or prices and Value at Risk calculations, establishing appropriate procedures regarding the performance of control and observing compliance with the identified risk limits.

Interest rate risk, exchange rate risk, stock and commodity price risk and exchange risks constitute the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is evaluated and monitored carefully.

In calculating market risk, the Bank uses two major approaches, namely BRSA Standard Method and Value at Risk (VaR). Accuracy of the VaR model is ensured by backtesting which is the comparison between the calculated Value at Risk and realized losses. In addition; stress tests are applied in order to determine the impacts of events, with low possibility of realization but substantial losses, on Value at Risk.

#### ii -Structural Interest Rate Risk Management Policy

Structural interest rate risk is the risk of change in the bank's capital due to possible changes in interest rates through differences in the repricing period and the interest structures of interest-sensitive assets and liabilities monitored in banking book.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Information on Risk Policies Based on Risk Types

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on currency basis and at determined maturity intervals taking into account their re-pricing.

TSKB manages interest risk by acknowledging that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

### iii - Liquidity Risk Management Policy

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus incurs a loss.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, the portfolio structure is formed in line with the functions of revenue generating from the portfolio and management of the market risk. Risk return balance is constantly monitored whereas the liquidity needs are followed up at all times.

### Operational Risk Policy

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethic standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of daily operations. It is essential that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

### Risk Management Policy for Subsidiaries

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

### Policies Regarding Other Risks

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the customers and markets. These risks are mentioned in the Bank's Risk Policies in order to increase the awareness throughout the bank.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Ratings

### Fitch Ratings:

On October 31, 2013, Fitch Ratings has upgraded TSKB's "Long Term Local Currency Issuer Default Rating" as "BBB-"; with the Outlook "Stable". Fitch has assigned a "Support Rating Floor" for the first time as "BBB-". Fitch has affirmed the "Long Term Foreign Currency Issuer Default Rating" as "BBB-" with the outlook "Stable". The "Short Term Local and Foreign Currency Rating" has also been affirmed as "F3".

Foreign Currency	
Long Term	BBB-
Outlook	Stable
Short Term	F3
Local Currency	
Long-term	BBB
Outlook	Stable
Short-term	F3
Support Rating	2
Support Rating Floor	BBB-
National	
Long Term	AAA(tur)
Outlook	Stable

### Moody's Investors Service

Moody's has not made any changes to the rating decision disclosed on the 3rd of July 2012 and published a Credit Opinion for TSKB on November 4, 2013 where the "Long Term Foreign Currency and Domestic Currency Issuer Ratings", "Short Term Foreign Currency and Domestic Currency Issuer Ratings" and "Bank Financial Strength Rating" have been stated as it is.

BFSR	D+
Outlook	Stable
LT Bank Issuer Rating (Foreign Currency)	Baa3
LT Bank Issuer Rating (Domestic Currency)	Baa3
Outlook	Stable
ST Bank Issuer Rating (Foreign Currency)	P-3
ST Bank Issuer Rating (Domestic Currency)	P-3

## Main indicators and financial information for the most recent 5 years

TL million	2009	2010	2011	2012	2013
Assets	6,905	7,912	9,456	10,290	12,911
Loan Book	3,955	4,843	6,395	6,895	9,177
Shareholders' Equity	1,041	1,264	1,366	1,755	1,885
Net Profit	175	212	255	307	326
(%)					
Average Return on Equity	19.5	18.4	19.4	19.7	17.9
Average Return on Assets	2.7	2.9	2.9	3.1	2.8
Capital Adequacy Ratio	24.9	22.7	19.1	20.4	18.2

Türkiye Sınai Kalkınma Bankası A.Ş.

## Consolidated Independent Auditors' Report

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)



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To the Board of Directors of

Türkiye Sınai Kalkınma Bankası A.Ş.

We have audited the consolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its subsidiaries (collectively "the Group") as of 31 December 2013 and the related consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *The Board of Directors' Responsibility for the Financial Statements*

The Board of Directors of the Bank is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (BRSA) and declarations by the Banking Regulation and Supervision Board, free of material misstatement, whether due to fraud or error, that could lead to false information within.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit at Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.

### *Opinion*

In our opinion, based on our audit, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as of 31 December 2013 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the Articles 37 and 38 of (Turkish) Banking Law No: 5411 and other regulations, explanations and circulars on accounting and financial reporting principles announced by BRSA.

İstanbul,

4 February 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova  
Partner

### **Additional paragraph for convenience translation to English:**

As explained in Section 3 Note I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.



Türkiye Sınai Kalkınma Bankası A.Ş.

# The Consolidated Financial Report of Türkiye Sınai Kalkınma Bankası A.Ş. for the Year Ended 31 December 2013

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

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The consolidated financial report designed for the year end includes the following sections in accordance with "Communiqué on Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The subsidiaries, associates and joint ventures, financial statements of which are consolidated within the framework of the reporting package, are as follows.

## Subsidiaries

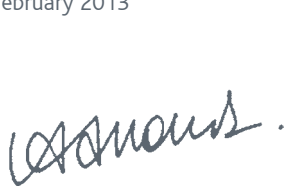
Yatırım Finansman Menkul Değerler A.Ş.  
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

## Associates

İş Finansal Kiralama A.Ş.  
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.  
İş Faktoring A.Ş.

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, and have been independently audited and presented as attached.

4 February 2013



Adnan BALI  
Chairman of Board of Directors



Özcan TÜRKAKIN  
Member of Board of Directors  
and General Manager



Ömer ERYILMAZ  
Executive Vice President in  
Charge of Financial Reporting



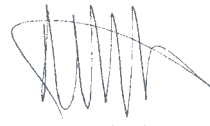
Mustafa GÖKTAŞ  
Head of  
Financial Control Department



M. Baran TUNCER  
Member of Audit Committee



Kemal Serdar DİŞLİ  
Member of Audit Committee



Murat BİLGİÇ  
Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname/Title:** Mustafa Göktaş/Head of Financial Control Department

**Telephone Number:** (212) 334 51 92

## Türkiye Sınai Kalkınma Bankası A.Ş.

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Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE

#### GENERAL INFORMATION

##### I. The Parent Bank's incorporation date, beginning statue, changes in the existing statue

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Parent Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the statute of the Parent Bank is "Development and Investment Bank". The Parent Bank does not have the authority of "Accepting Deposit". Since the establishment date of the Parent Bank, there is no change in its "Development and Investment Bank" status.

##### II. Explanations regarding the Parent Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Parent Bank

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Parent Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Parent Bank are as follows:

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	650.001	50,00	650.001	-
T. Vakıflar Bankası T.A.O.	108.907	8,38	108.907	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	541.092	41,62	541.092	-
Total	1.300.000	100,00	1.300.000	-

Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
Total	1.100.000	100,00	1.100.000	-

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION ONE (Continued)

### GENERAL INFORMATION (Continued)

#### III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares in the Parent Bank

##### The Chairman and The Members of Board of Directors:

Name Surname	Title <sup>(1)</sup>	Date of Appointment	Academic Background	Experience in Banking and Management
Adnan Bali	Chairman of the Board of Directors	15 April 2011	Undergraduate	28
Mehmet Şencan	Vice Chairman of the Board of Directors	7 June 2011	Undergraduate	26
Özcan Türkakin	Member of the Board of Directors and General Manager	31 January 2013	Postgraduate	30
Mustafa Baran Tuncer <sup>(2)</sup>	Member of the Board of Directors and Audit Committee	30 April 2008	Doctorate	34
Durmuş Yılmaz	Member of the Board of Directors	26 March 2012	Postgraduate	34
Ertan Burhanettin Kantar	Member of the Board of Directors	23 March 2005	Undergraduate	25
Murat Bilgiç <sup>(2)</sup>	Member of the Board of Directors and Audit Committee	23 March 2005	Postgraduate	23
Kemal Serdar Dışlı <sup>(2)</sup>	Member of the Board of Directors and Audit Committee	25 May 2007	Undergraduate	26
Uygur Şafak Ögün	Member of the Board of Directors	2 April 2010	Postgraduate	19
Feridun Bilgin	Member of the Board of Directors	12 September 2012	Doctorate	17
Halil Aydoğan <sup>(3)</sup>	Member of the Board of Directors	20 December 2013	Undergraduate	37

##### General Manager and Vice Presidents:

Name Surname	Title/Area of Responsibility	Date of Appointment	Academic Background	Experience in Banking and Management
Özcan Türkakin	General Manager	31 January 2013	Postgraduate	30
A.Orhan Beşkök	Senior Vice President - Technical Services and Financial Institutions	24 January 2002	Postgraduate	31
Burak Akgüç	Vice President - Corporate Marketing and Project Finance	29 December 2004	Undergraduate	24
Ömer Eryılmaz	Vice President - Financial Control, Budget Planning and Investor Relations	27 January 2006	Undergraduate	28
Çiğdem İçel	Vice President - Treasury and Human Resources	27 January 2006	Undergraduate	24
Ufuk Bala Yücel	Vice President - Loans	25 December 2007	Undergraduate	27
B. Gökhan Çanakpınar	Vice President - Information Technology and Operation	10 January 2012	Undergraduate	24
Ece Börü <sup>(4)</sup>	Vice President - Enterprise Architecture	28 November 2013	Undergraduate	25
Hakan Aygen <sup>(4)</sup>	Vice President - Corporate Finance and Economic Research	28 Kasım 2013	Doctorate	24

<sup>(1)</sup> The shares of above directors in the Bank are symbolic.

<sup>(2)</sup> According to the Communiqué of CMB Serial: IV No: 63 members of the Audit Committee are regarded as Independent Members of the Board of Directors.

<sup>(3)</sup> Yonca Koçak, the independent member of the Board of Directors, has resigned from her duty and in the Board of Directors meeting per decree no 2147 on 16 December 2013, Halil Aydoğan was elected to vacant position in accordance with article no.363 of Turkish Commercial Code.

<sup>(4)</sup> Ece Börü was appointed as Vice President of Enterprise Architecture department and Hakan Ülgen was appointed as Vice President of Corporate Finance and Economic Research department in the Board of Directors meeting per decree no 2145 on 28 November 2013.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Akis Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as auditor between the years 2013-2015 and statutory auditor duties of M. Armağan Saraçoğlu and Hamide Esmâ Uygun Çelikten, who were current auditors of the Bank, ended on the General Meeting held on 26 March 2013.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

#### IV. Information about the persons and institutions that have qualified shares in the Parent Bank

T. İş Bankası A.Ş. (İş Bank) Group owns the qualified shares that control the Parent Bank's capital directly or indirectly.

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	650.001	50,00	650.001	-
T. Vakıflar Bankası T.A.O.	108.907	8,38	108.907	-
Under Custody at Merkezi Kayıt Kuruluşu				
Other Institutions and Individuals	541.092	41,62	541.092	-
<b>Total</b>	<b>1.300.000</b>	<b>100,00</b>	<b>1.300.000</b>	<b>-</b>

Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu				
Other Institutions and Individuals	457.829	41,62	457.829	-
Physically Under Custody				
(Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

#### V. Summary on the Parent Bank's functions and areas of activity

Türkiye Sınai Kalkınma Bankası A.Ş. is the first private investment and development bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, T.R. Government, T.R. Central Bank and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Parent Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Parent Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term finance needs of the private sector, the Parent Bank also continues to offer solutions with respect to the newest needs and client demands.

The Parent Bank has opened two branches in Izmir and Ankara in April 2006 to enhance marketing and valuation operations.

#### VI. Differences between the communiqué on preparation of consolidated financial statements of banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. and Adana Hotel Project are not consolidated since they are not in scope of financial institutions according to related communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340. The Parent Bank has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

#### Yatırım Finansman Menkul Değerler A.Ş. :

Yatırım Finansman Menkul Değerler A.Ş. was established with the title of Yatırım Finansman A.Ş. and registered in Istanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. Title of the Company was changed into Yatırım Finansman Menkul Değerler A.Ş. by the announcement made in the Turkish Trade Registry Gazette No: 4762 on 2 April 1999. The Company's purpose is to perform capital market operations specified in the Company's main contract in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006.

#### TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

Core business of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The Company was established on 3 February 2006.

#### İş Finansal Kiralama A.Ş. :

İş Finansal Kiralama A.Ş. was established on 8 February 1988 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at Istanbul/Türkiye.

#### İş Faktoring A.Ş. :

İş Faktoring A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The Company is a Türkiye İş Bankası A.Ş. Group entity and the parent is İş Finansal Kiralama A.Ş. with 78,23% shareholding. The direct share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%.

#### İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

The principal business of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is to make long-term investments in companies existing in Turkey or to be established in Turkey, having a development potential and are in need of financing. The Company's headquarters is located at Istanbul/Türkiye.

### VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

### Written policies of the Parent Bank related to compliance to publicly disclosed obligations of the Parent Bank and assessment of accuracy, frequency and compliance of mentioned disclosures

The Parent Bank Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2011. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Parent Bank accessible from the the Parent B corporate website.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2013

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

ASSETS	Note Ref.	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	42.176	302.864	345.040	25.465	107.201	132.666
<b>II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)</b>	(2)	26.216	34.032	60.248	23.336	17.833	41.169
2.1 Trading financial assets		26.216	34.032	60.248	23.336	17.833	41.169
2.1.1 Public sector debt securities		8.717	-	8.717	7.753	733	8.486
2.1.2 Share certificates		988	-	988	2.581	-	2.581
2.1.3 Derivative financial assets held for trading		6.655	34.032	40.687	6.143	17.100	23.243
2.1.4 Other marketable securities		9.856	-	9.856	6.859	-	6.859
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	9.971	411.333	421.304	377.261	62.814	440.075
<b>IV. MONEY MARKET PLACEMENTS</b>		50	-	50	199	-	199
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		50	-	50	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	199	-	199
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	2.594.992	378.066	2.973.058	2.407.613	474.649	2.882.262
5.1 Share certificates		48.072	2.957	51.029	35.570	2.957	38.527
5.2 Public sector debt securities		1.996.493	332.811	2.329.304	2.127.232	342.798	2.470.030
5.3 Other marketable securities		550.427	42.298	592.725	244.811	128.894	373.705
<b>VI. LOANS</b>	(5)	2.195.193	6.853.905	9.049.098	1.696.982	5.117.237	6.814.219
6.1 Loans		2.195.193	6.853.905	9.049.098	1.696.982	5.117.237	6.814.219
6.1.1 Loans to risk group of the Bank		119.048	170.979	290.027	105.631	129.431	235.062
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.076.145	6.682.926	8.759.071	1.591.351	4.987.806	6.579.157
6.2 Non performing loans		16.913	20.473	37.386	10.172	5.452	15.624
6.3 Specific provisions (-)		(16.913)	(20.473)	(37.386)	(10.172)	(5.452)	(15.624)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	-	-	-	-	-	-
8.1 Public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	236.634	-	236.634	211.572	-	211.572
9.1 Accounted for under equity method		234.988	-	234.988	210.046	-	210.046
9.2 Unconsolidated associates		1.646	-	1.646	1.526	-	1.526
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.646	-	1.646	1.526	-	1.526
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	847	-	847	847	-	847
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		847	-	847	847	-	847
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	10	-	10	10	-	10
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		10	-	10	10	-	10
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		10	-	10	10	-	10
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	-	4.518	4.518	-	9.432	9.432
12.1 Finance lease receivables		-	4.573	4.573	-	9.758	9.758
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(55)	(55)	-	(326)	(326)
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	24.397	-	24.397	23.786	-	23.786
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	2.249	-	2.249	2.020	-	2.020
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		1.244	-	1.244	1.015	-	1.015
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	222.295	-	222.295	240.370	-	240.370
<b>XVII. TAX ASSET</b>	(15)	18.896	-	18.896	8.629	-	8.629
17.1 Current tax asset		-	-	-	2.986	-	2.986
17.2 Deferred tax asset		18.896	-	18.896	5.643	-	5.643
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	34.386	46.186	80.572	33.790	16.272	50.062
<b>TOTAL ASSETS</b>		<b>5.408.312</b>	<b>8.030.904</b>	<b>13.439.216</b>	<b>5.051.880</b>	<b>5.805.438</b>	<b>10.857.318</b>

The accompanying notes are an integral part of these unconsolidated financial statements.



Türkiye Sınai Kalkınma Bankası A.Ş.

# Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2013

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

LIABILITIES	Note Ref	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	7.277	50.580	57.857	1.565	19.432	20.997
<b>III. FUNDS BORROWED</b>	(3)	74.275	9.050.762	9.125.037	142.819	6.886.786	7.029.605
<b>IV. MONEY MARKET BALANCES</b>		1.609.973	246.231	1.856.204	1.265.318	237.310	1.502.628
4.1 Interbank money market takings		-	-	-	247.991	19.458	267.449
4.2 Istanbul Stock Exchange money market takings		251.313	-	251.313	-	-	-
4.3 Funds provided under repurchase agreements	(3)	1.358.660	246.231	1.604.891	1.017.327	217.852	1.235.179
<b>V. DEBT SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		946	5.008	5.954	1.909	7.836	9.745
6.1 Borrower funds		946	5.008	5.954	1.909	7.836	9.745
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		77.558	12.211	89.769	77.233	35.597	112.830
<b>VIII. OTHER LIABILITIES</b>	(4)	-	-	-	-	-	-
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES</b>	(5)	-	-	-	6	-	6
10.1 Finance lease payables		-	-	-	6	2	8
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	(2)	(2)
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(6)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	155.577	1.865	157.442	140.173	-	140.173
12.1 General loan loss provisions		96.583	-	96.583	77.247	-	77.247
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		8.676	-	8.676	8.986	-	8.986
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		50.318	1.865	52.183	53.940	-	53.940
<b>XIII. TAX LIABILITY</b>	(8)	22.660	-	22.660	33.207	-	33.207
13.1 Current tax liability		22.660	-	22.660	33.207	-	33.207
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	(9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	106.759	106.759	-	89.125	89.125
<b>XVI. SHAREHOLDERS' EQUITY</b>		2.001.886	15.648	2.017.534	1.849.617	69.385	1.919.002
16.1 Paid-in capital	(11)	1.300.000	-	1.300.000	1.100.000	-	1.100.000
16.2 Capital reserves		(1.925)	15.648	13.723	100.288	69.385	169.673
16.2.1 Share premium		388	-	388	388	-	388
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	(11.607)	15.648	4.041	64.369	69.385	133.754
16.2.4 Tangible assets revaluation differences	(11)	8.920	-	8.920	35.157	-	35.157
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging reserves (Effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		374	-	374	374	-	374
16.3 Profit reserves		262.400	-	262.400	195.793	-	195.793
16.3.1 Legal reserves	(11)	158.444	-	158.444	125.052	-	125.052
16.3.2 Statutory reserves		75.641	-	75.641	60.277	-	60.277
16.3.3 Extraordinary reserves	(11)	24.993	-	24.993	7.544	-	7.544
16.3.4 Other profit reserves		3.322	-	3.322	2.920	-	2.920
16.4 Profit or loss		365.889	-	365.889	369.263	-	369.263
16.4.1 Prior years' profit/loss		61.999	-	61.999	52.253	-	52.253
16.4.2 Current year profit/loss		303.890	-	303.890	317.010	-	317.010
16.5 Non-controlling interests	(12)	75.522	-	75.522	84.273	-	84.273
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.950.152</b>	<b>9.489.064</b>	<b>13.439.216</b>	<b>3.511.847</b>	<b>7.345.471</b>	<b>10.857.318</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Consolidated Statement of Off-Balance Sheet Items at 31 December 2013

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

	Note Ref	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>2.828.429</b>	<b>7.103.261</b>	<b>9.931.690</b>	<b>1.642.823</b>	<b>5.350.160</b>	<b>6.992.983</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>505.921</b>	<b>947.499</b>	<b>1.453.420</b>	<b>290.755</b>	<b>921.802</b>	<b>1.212.557</b>
1.1 Letters of guarantee		505.921	509.466	1.015.387	286.530	349.238	635.768
1.1.1 Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		505.921	509.466	1.015.387	286.530	349.238	635.768
1.2 Bank acceptances		-	-	-	-	-	-
1.2.1 Import letters of acceptance		-	-	-	-	-	-
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	438.033	438.033	-	572.564	572.564
1.3.1 Documentary letters of credit		-	438.033	438.033	-	572.564	572.564
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	-	-	4.225	-	4.225
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>1.440.682</b>	<b>1.874.009</b>	<b>3.314.691</b>	<b>1.157.941</b>	<b>1.643.773</b>	<b>2.801.714</b>
2.1 Irrevocable commitments		1.097.288	363.653	1.460.941	466.541	22.102	488.643
2.1.1 Forward asset purchase and sales commitments		213.594	297.751	511.345	2.770	7.405	10.175
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	120	-	120
2.1.4 Loan granting commitments		-	4.805	4.805	-	4.007	4.007
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		-	-	-	-	-	-
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		883.694	61.097	944.791	463.651	10.690	474.341
2.2 Revocable commitments		343.394	1.510.356	1.853.750	691.400	1.621.671	2.313.071
2.2.1 Revocable loan granting commitments		343.394	1.510.356	1.853.750	691.400	1.621.671	2.313.071
2.2.2 Other revocable commitments		-	-	-	-	-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Consolidated Statement of Off-Balance Sheet Items at 31 December 2013

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

	Note Ref	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>881.826</b>	<b>4.281.753</b>	<b>5.163.579</b>	<b>194.127</b>	<b>2.784.585</b>	<b>2.978.712</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		881.826	4.281.753	5.163.579	194.127	2.784.585	2.978.712
3.2.1 Forward foreign currency buy/sell transactions		232.750	364.554	597.304	110.621	364.896	475.517
3.2.1.1 Forward foreign currency transactions-buy		213.289	81.192	294.481	55.432	182.456	237.888
3.2.1.2 Forward foreign currency transactions-sell		19.461	283.362	302.823	55.189	182.440	237.629
3.2.2 Swap transactions related to f.c. and interest rates		278.088	3.483.427	3.761.515	52.038	2.300.268	2.352.306
3.2.2.1 Foreign currency swaps-buy		195.646	427.251	622.897	37.968	318.374	356.342
3.2.2.2 Foreign currency swaps-sell		33.050	595.548	628.598	14.070	336.020	350.090
3.2.2.3 Interest rate swaps-buy		24.696	1.230.314	1.255.010	-	822.937	822.937
3.2.2.4 Interest rate swaps-sell		24.696	1.230.314	1.255.010	-	822.937	822.937
3.2.3 Foreign currency, interest rate and securities options		370.988	433.772	804.760	31.468	119.421	150.889
3.2.3.1 Foreign currency options-buy		187.344	205.442	392.786	15.734	43.896	59.630
3.2.3.2 Foreign currency options-sell		183.644	209.840	393.484	15.734	44.325	60.059
3.2.3.3 Interest rate options-buy		-	9.245	9.245	-	15.600	15.600
3.2.3.4 Interest rate options-sell		-	9.245	9.245	-	15.600	15.600
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>26.254.023</b>	<b>94.633.754</b>	<b>120.887.777</b>	<b>5.378.889</b>	<b>70.139.115</b>	<b>75.518.004</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4.358.031</b>	<b>281.543</b>	<b>4.639.574</b>	<b>1.288.698</b>	<b>264.194</b>	<b>1.552.892</b>
4.1 Customers' securities held		-	-	-	8.619	-	8.619
4.2 Investment securities held in custody		2.929.287	281.543	3.210.830	297.966	264.194	562.160
4.3 Checks received for collection		-	-	-	-	-	-
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		517	-	517	3.335	-	3.335
4.8 Custodians		1.428.227	-	1.428.227	978.778	-	978.778
<b>V. PLEDGED ITEMS</b>		<b>11.540.554</b>	<b>57.554.012</b>	<b>69.094.566</b>	<b>3.136.693</b>	<b>45.668.955</b>	<b>48.805.648</b>
5.1 Marketable securities		392.936	2.677.590	3.070.526	2.935	1.208.830	1.211.765
5.2 Guarantee notes		86.094	1.588.476	1.674.570	53.398	1.300.783	1.354.181
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		416.410	20.897.816	21.314.226	90.594	16.092.349	16.182.943
5.6 Other pledged items		10.645.114	32.390.130	43.035.244	2.989.766	27.066.993	30.056.759
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>10.355.438</b>	<b>36.798.199</b>	<b>47.153.637</b>	<b>953.498</b>	<b>24.205.966</b>	<b>25.159.464</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>29.082.452</b>	<b>101.737.015</b>	<b>130.819.467</b>	<b>7.021.712</b>	<b>75.489.275</b>	<b>82.510.987</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Consolidated Income Statement for the Year Ended 31 December 2013

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

	Note Ref.	Audited Current Period 1 January 2013 - 31 December 2013	Audited Prior Period 1 January 2012 - 31 December 2012
<b>I. INTEREST INCOME</b>	(1)	<b>657.490</b>	<b>613.037</b>
1.1 Interest on loans		393.569	332.958
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		20.236	23.168
1.4 Interest received from money market placements		13.997	6.857
1.5 Interest received from marketable securities portfolio		229.151	248.776
1.5.1 Financial assets held for trading		1.149	3.756
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		228.002	237.327
1.5.4 Investments held-to-maturity		-	7.693
1.6 Finance lease income		306	1.066
1.7 Other interest income		231	212
<b>II. INTEREST EXPENSES</b>	(2)	<b>(175.902)</b>	<b>(188.193)</b>
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(96.217)	(93.343)
2.3 Interest on money market borrowings		(79.638)	(94.733)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(47)	(117)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>481.588</b>	<b>424.844</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>27.867</b>	<b>26.520</b>
4.1 Fees and commissions received		32.445	29.842
4.1.1 Non-cash loans		7.407	10.115
4.1.2 Other		25.038	19.727
4.2 Fees and commissions paid		(4.578)	(3.322)
4.2.1 Non-cash loans		(858)	(1.021)
4.2.2 Other		(3.720)	(2.301)
<b>V. DIVIDEND INCOME</b>	(3)	<b>15.715</b>	<b>6.014</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>(24.735)</b>	<b>26.309</b>
6.1 Securities trading gains/(losses)		4.391	2.818
6.2 Derivative financial instruments gains/losses		(46.359)	48.739
6.3 Foreign exchange gains/losses (net)		17.233	(25.248)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>25.541</b>	<b>32.260</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>525.976</b>	<b>515.947</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(47.230)</b>	<b>(34.595)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(140.528)</b>	<b>(100.218)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>338.218</b>	<b>381.134</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT/(LOSS) ON EQUITY METHOD</b>		<b>31.975</b>	<b>20.271</b>
<b>XIV. GAIN/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>370.193</b>	<b>401.405</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(75.039)</b>	<b>(76.254)</b>
16.1 Provision for current income taxes		(58.256)	(94.286)
16.2 Provision for deferred taxes		(16.783)	18.032
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>295.154</b>	<b>325.151</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>295.154</b>	<b>325.151</b>
23.1 Group's profit/loss		303.890	317.010
23.2 Minority shares		(8.736)	8.141
Earnings/(losses) per share		0,227	0,250

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2013

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

	Audited Current Period 1 January 2013- 31 December 2013	Audited Prior Period 1 January 2012 - 31 December 2012
<b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(152.812)	144.877
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)	-	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	(6.537)	(230)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	30.036	(28.053)
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(129.313)	116.594
XI. CURRENT YEAR PROFIT/LOSS	295.154	325.151
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	6.423	(756)
11.2 Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	288.731	325.907
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>165.841</b>	<b>441.745</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2013

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

	CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Effect of Inflation on Paid in Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves
	Prior Period - 31 December 2012								
I.	Opening Balance		800.000	374	413	-	97.975	47.510	152.167
II.	Adjustments In Accordance With TAS 8								
2.1	Effect Of Correction Of Errors		-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-
III.	New Balance (I+II)		800.000	374	413	-	97.975	47.510	152.167
	Changes During The Period								
IV.	Increases/Decreases Related to Merger		-	-	-	-	-	-	-
V.	Marketable Security Revaluation Differences		-	-	-	-	-	-	-
VI.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-
6.2	Hedge Of Net Investment In Foreign Operations		-	-	-	-	-	-	-
VII.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-
VIII.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-
IX.	Bonus Shares Obtained From Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-
XI.	Disposal Of Assets		-	-	-	-	-	-	-
XII.	Reclassification Of Assets		-	-	-	-	-	-	-
XIII.	Effect Of Change In Equities Of Associates On Bank's Equity		-	-	-	-	-	-	-
XIV.	Capital increase		300.000	-	-	-	-	-	(163.000)
14.1	Cash		-	-	-	-	-	-	-
14.2	Internal sources		300.000	-	-	-	-	-	(163.000)
XV.	Share Premium		-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-
XVII.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVIII.	Other		-	-	(25)	-	(859)	-	(5.221)
IX.	Period net income		-	-	-	-	-	-	-
XX.	Profit Distribution		-	-	-	-	27.936	12.767	23.598
20.1	Dividends distributed		-	-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	27.936	12.767	23.598
20.3	Other		-	-	-	-	-	-	-
	Closing Balance		1.100.000	374	388	-	125.052	60.277	7.544
	Current Period - 31 December 2013								
I.	Opening Balance		1.100.000	374	388	-	125.052	60.277	7.544
II.	Increase/Decrease related to merger		-	-	-	-	-	-	-
III.	Marketable securities value increase fund		-	-	-	-	-	-	-
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	28.379
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-
XII.	Capital increase	(1)	200.000	-	-	-	-	-	(32.000)
12.1	Cash		-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(32.000)
XIII.	Share issuance		-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-
XVII.	Period net income		-	-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	33.392	15.364	21.070
18.1	Dividends distributed		-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	33.392	15.364	21.070
18.3	Other		-	-	-	-	-	-	-
	Closing Balance		1.300.000	374	388	-	158.444	75.641	24.993

The accompanying notes are an integral part of these unconsolidated financial statements.

Other Reserves	Current Period Net Profit/Loss	Prior Period Net Profit/Loss	Marketable Security Revaluation Differences	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
2.920	-	310.617	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2.920	-	310.617	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
-	-	-	-	-	-	-	-	-	-	-
-	-	-	116.594	-	-	-	-	116.594	15	116.609
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(3.983)	-	3.983	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(137.000)	-	-	-	-	-	-	-	-
-	-	(137.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(2.601)	-	-	-	-	-	(8.706)	(20.674)	(29.380)
-	317.010	-	-	-	-	-	-	317.010	8.141	325.151
-	-	(114.780)	-	-	-	-	-	(50.479)	-	(50.479)
-	-	(50.479)	-	-	-	-	-	(50.479)	-	(50.479)
-	-	(64.301)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2.920	317.010	52.253	133.754	35.157	-	-	-	1.834.729	84.273	1.919.002
2.920	-	369.263	133.754	35.157	-	-	-	1.834.729	84.273	1.919.002
-	-	-	-	-	-	-	-	-	-	-
-	-	-	(129.713)	-	-	-	-	(129.713)	(13)	(129.726)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(2.142)	-	(26.237)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(168.000)	-	-	-	-	-	-	-	-
-	-	(168.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
402	-	-	-	-	-	-	-	402	(2)	400
-	303.890	-	-	-	-	-	-	303.890	(8.736)	295.154
-	-	(137.122)	-	-	-	-	-	(67.296)	-	(67.296)
-	-	(67.296)	-	-	-	-	-	(67.296)	-	(67.296)
-	-	(69.826)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
3.322	303.890	61.999	4.041	8.920	-	-	-	1.942.012	75.522	2.017.534

Türkiye Sınai Kalkınma Bankası A.Ş.

# Consolidated Statement of Cash Flows for the Year Ended 31 December 2013

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

	Notes	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>546.291</b>	<b>215.487</b>
1.1.1 Interest received		741.650	492.247
1.1.2 Interest paid		(174.523)	(191.485)
1.1.3 Dividends received		9.777	6.014
1.1.4 Fees and commissions received		32.445	29.842
1.1.5 Other income	(1)	43.281	85.850
1.1.6 Collections from previously written off loans		2.078	7.806
1.1.7 Payments to personnel and service suppliers		(94.641)	(75.962)
1.1.8 Taxes paid		(70.503)	(78.649)
1.1.9 Others	(1)	56.727	(60.176)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(149.419)</b>	<b>(18.665)</b>
1.2.1 Net (increase) decrease in financial assets		(2.005)	52.696
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(1.444.233)	(1.012.416)
1.2.5 Net (increase) decrease in other assets	(1)	(214.916)	116.869
1.2.6 Net increase (decrease) in bank deposits		-	-
1.2.7 Net increase (decrease) in other deposits		-	-
1.2.8 Net increase (decrease) in funds borrowed		1.181.629	723.160
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	330.106	101.026
<b>I. Net cash provided by/(used in) banking operations</b>		<b>396.872</b>	<b>196.822</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided by/(used in) investing activities</b>		<b>(315.248)</b>	<b>(211.971)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(120)	(420)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3 Fixed asset purchases	(2)	(17.258)	(13.613)
2.4 Fixed asset sales	(3)	1.605	3.865
2.5 Cash paid for purchase of financial assets available for sale		(1.297.455)	(297.030)
2.6 Cash obtained from sale of financial assets available for sale		998.610	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities <sup>(1)</sup>		-	95.787
2.9 Others	(2)	(630)	(560)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided by/(used in) financing activities</b>		<b>(67.296)</b>	<b>(50.481)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	(2)
3.3 Capital increase		-	-
3.4 Dividends paid		(67.296)	(50.479)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>17.280</b>	<b>(2.400)</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		<b>31.608</b>	<b>(68.030)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>466.659</b>	<b>534.689</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(4)	<b>498.267</b>	<b>466.659</b>

<sup>(1)</sup> Prior period amount comprises of the Parent Bank's held to maturity investment that was redeemed on 15 February 2012.

The accompanying notes are an integral part of these unconsolidated financial statements.



Türkiye Sınai Kalkınma Bankası A.Ş.

# Consolidated Statement of Profit Distribution for the Year Ended 31 December 2013

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

	Audited Current Period 31 December 2013 <sup>(*)</sup>	Audited Prior Period 31 December 2012
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME (**)</b>		
1.1 CURRENT YEAR INCOME	400.894	382.793
1.2 TAXES AND DUTIES PAYABLE	(74.837)	(75.529)
1.2.1 Corporate Tax (Income tax)	(55.093)	(94.286)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(19.744)	18.757
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>326.057</b>	<b>307.264</b>
1.3 PRIOR YEARS LOSSES (-)(*)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	15.363
1.5 OTHER STATUTORY RESERVES (-)	-	15.364
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>326.057</b>	<b>276.537</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	66.000
1.6.1 To owners of ordinary shares	-	66.000
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	6.253
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.043
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	162.000
1.9.1 To owners of ordinary shares	-	162.000
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	18.029
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	21.070
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	2.142
<b>II. DISTRIBUTION OF RESERVES</b>	-	-
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	326.057	307.264
3.2 TO OWNERS OF ORDINARY SHARES (%)	25,08	27,93
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	288.000
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,73
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(\*) Since the Board of Directors has not yet prepared any proposal for profit distribution relating to the year 2013, profit available for distribution for the year 2013 was presented only.

(\*\*) According to legislation, companies in Turkey do not make consolidated profit distribution. In this context, profit distribution is based on unconsolidated financial statements.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE

#### ACCOUNTING POLICIES

##### I. Basis of presentation

##### I.a Presentation of consolidated financial statements and notes to the consolidated financial statements according to Turkish Accounting Standards and Banking Accounting Regulations and Safeguarding of Documents

As prescribed in the Article 37 and 38 of the Banking Act No. 5411, the Parent Bank prepares its financial statements and underlying documents in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency.

Amounts in the consolidated financial statements, the underlying explanations and disclosures are expressed in Thousands of Turkish Lira unless otherwise stated.

##### Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

##### I.b The valuation principles used in the preparation of the financial statements

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXIII.

##### I.c The accounting policies for the correct understanding of the financial statements

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

##### I.d In preparing the consolidated financial statements, items which different accounting policies adopted and their ratio on total of related consolidated financial statement

There is no different accounting policy used in consolidated financial statements.

#### II. Explanations on usage strategy of financial assets and foreign currency transactions

The main sources of the funds of the Group have variable interest rates. The financial balances are monitored frequently and constant and variable interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Parent Bank have the flexibility of reflecting the changes in market interest rates to customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtedness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The Group liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Parent Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. When taking positions, the Parent Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

The Group's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency available for sale securities:

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the expected depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of cross currency rates.

To mitigate the interest rate risk, a balanced asset composition is established in compliance with the structure of fixed and variable rate funding resources.

The hedging strategies for other foreign exchange risk exposures:

A stable foreign exchange position strategy is implemented: To be secured from cross currency risk, the current foreign exchange position is taken by considering a specific basket of foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

#### III. Information about the Parent Bank and its subsidiaries and associates subject to consolidation

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340. The Parent Bank and the entities included in the consolidation are referred to as "the Group" in this report.

The financial statements of the subsidiaries and associates, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Markets Board of Turkey ("CMB"), are duly adjusted in order to present their financial statements in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as of 31 December 2013. The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

#### Yatırım Finansman Menkul Değerler A.Ş. :

Yatırım Finansman Menkul Değerler A.Ş. was established with the title of Yatırım Finansman A.Ş. and registered in Istanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. Title of the Company was changed into Yatırım Finansman Menkul Değerler A.Ş. by the announcement made in the Turkish Trade Registry Gazette No: 4762 on 2 April 1999. The Company's purpose is to perform capital market operations specified in the Company's main contract in accordance with the Capital Market Law and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006.

#### TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

Core business of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The Company was established on 3 February 2006.

#### İş Finansal Kiralama A.Ş. :

İş Finansal Kiralama A.Ş. was established on 8 February 1988 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at İstanbul/Türkiye.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### İş Faktoring A.Ş. :

İş Faktoring A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The Company is a Türkiye İş Bankası A.Ş. Group entity and the parent is İş Finansal Kiralama A.Ş. with 78,23% shareholding. The direct share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%.

##### İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

The principal business of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is to make long-term investments in companies existing in Turkey or to be established in Turkey, having a development potential and are in need of financing. The company's headquarter is in İstanbul/Turkey.

#### IV. Explanations on forward and option contracts and derivative instruments

The Parent Bank is exposed to financial risk which depend on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps, futures trading, futures and option agreements.

The derivative instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Some of the derivative instruments, although economic hedges, are accounted for as trading transactions since they are not qualified to be hedging instruments as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses are reflected in the income statement on these derivative instruments.

According to Capital Markets Board ("CMB") legislation, Intermediary Institution warrants are capital market instruments that give the holder the right, but not the obligation, to buy or to sell an underlying asset at a specified price on or before a predetermined date where such right is exercised by registered deliver or cash settlement and these warrants are called securitized derivative transactions. In this context, the Bank that issued warrants on foreign currencies, has accounted the costs of issued warrant on liabilities. Warrants are valued on a daily basis over the market value created by the market maker and valuation differences are recorded in the income statement. On withdrawal of the issued warrants, the balance is netted-off with the cost on the liabilities and gain/losses are associated with the income statement. On the other hand, issued warrant is recorded on the statement of off-balance sheet with its nominal value.

#### V. Explanations on interest income and expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value). In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

#### VI. Explanations on fees and commission income and expenses

Fees and commissions received from cash loans, that are not an integral part of the effective interest rate, and fees for various banking services are recorded as income when collected. Fees and commissions paid for the funds borrowed, which are not integral parts of the effective interest rate of the funds borrowed, are recorded as expense on the date of the payment. As of 31 December 2013, all other income and expenses, fee and commission income and expenses, including commissions received from non-cash loans are recorded on an accrual basis.

#### VII. Explanations on financial assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the both of the Group's trading activities and operations. Risks related with these instruments constitutes majority of total risks. Financial instruments affect liquidity, market, and credit risks on the Group's balance sheet in all respects. The Group trades these instruments on behalf of its customers and on its own behalf.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Basically, financial assets create the majority of the commercial activities and operations of the Group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal.

In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the income statement, gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are explained below.

#### Cash, Banks and Other Financial Institutions:

Cash and cash equivalents comprise cash in vault and foreign currency cash. Foreign currency cash and foreign currency deposits are reflected to balance sheet in TL which is translated in accordance with prevalent exchange rate on reporting date. The book values of these assets approximate their fair values.

#### Marketable Securities:

The Group classifies its marketable securities in 3 groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at inception as financial assets at fair value through profit or loss by the Group. The Group uses such classification above when permitted or for the purposes of providing a more proper disclosure.

In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfilment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any. Interest income earned from held-to-maturity investments is recognized as interest income on income statement.

As of the reporting date, the Group calculated internal rate of return of the CPI indexed marketable securities considering expected inflation index of future cash flows. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.

#### Loans:

Loans are financial assets which have fixed payment terms and are not traded.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement as well as their classification to non-performing loans as per the related regulations. The collections made related to loans including those on non-performing loans for which provision is made in the current period are recorded in "Provision for Loans and Other Receivables (including received from Loans and receivables with doubtful collectability) " and "Interest Received from Non-performing Loans" account.

Releases of loan loss provisions are recorded by reversing the provisions booked during the year and the collections made related to loan losses previously accounted for are recorded to collections related to the prior period expenses.

#### VIII. Explanations on impairment on financial assets

At each reporting date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event ("loss event") after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized.

Loans are classified and followed in line with the provisions of the "Regulation on Identification of Loans and Other Receivables and Provisioning against Them", published in the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account.

Other than specific provisions, the Parent Bank provides "general provision" for loans and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Subsequent to the change in the regulation on "Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 27947 dated 28 May 2011; in case of the extension of the payment plan of the loans which are followed under loans and receivables, the general loan loss provision ratio for standard and for the first group loans and receivables should not be less than 5 times of the general provision ratio and for the second group loans and receivables should not be less than 2,5 times of the general provision ratio.

As a consequence of the regulation published in Official Gazette No. 28789 dated 8 October 2013 amending the "Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", for the banks, of which the consumer loans exceed twenty five percent of total loans, general provision ratio is four percent for consumer loans which are followed under standard loans and receivables except housing loans; and is eight percent for the loans under close monitoring except housing loans.

Since the consumer loans of the Parent Bank are composed of personnel loans as of 31 December 2013 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated. As mentioned in the regulations on the same date, Banks could apply general loan loss provision ratios is zero percent for cash and non-cash export loans which are followed standard loans; and is five per mille and one per mille for cash and non-cash loans respectively which is used to small and medium size enterprise. The Parent Bank has started to calculate general loan loss provision thereby using in question ratios after published date of the regulations.

#### IX. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset when the Group has a legally enforceable right to set off, and when the Group has the intention of collecting or paying the net amount of related assets and liabilities or when the Group has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

#### X. Explanations on sales and repurchase agreements and lending of securities

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements-TL" and "Funds Provided under Repurchase Agreements-FC" accounts.

The repurchase agreements of the Group are based on the Eurobonds issued by Republic of Turkey Undersecretariat of Treasury and government bonds. In the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in "Receivables from Reverse Repurchase Agreements" account in the balance sheet.

#### XI. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a division that is either disposed or held for sale. Results of discontinued operations are included separately in the income statement.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### XII. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

##### XIII. Explanations on tangible assets

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair expenditures are expensed.

There is no pledge, mortgage or any other lien on tangible assets.

Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards

Depreciation rates and estimated useful lives of tangible assets are as follows.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashboxes	4-25	4-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

##### Investment Property

Operating investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognized when it is probable that the future economic benefits that are associated with them will flow to the Group and the cost of them can be measured reliably. Fair value model was chosen in the measurement of the investment properties. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss for the period in which it arises.

##### XIV. Explanations on leasing transactions

###### The Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### *The Group as Lessee*

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

#### XV. Explanations on provisions and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criterias did not compose, the Parent Bank has disclosed mentioned issues in note to financial statements. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

##### *Explanations on contingent assets*

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Parent Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which maynever be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Parent Bank is almost certain, the related asset and the respective income are recognised in the financial statements of the period in which the change occurred.

#### XVI. Explanations on liabilities regarding employee benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. In retirement and involuntarily leaving, the Group records the present value of the defined benefit obligation.

There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act.

Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No:2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No:28636 and transfer need to be completed until 8 May 2014.

However the Main Opposition Party has appealed to the Constitutional Court on 19 June 2008 for cancellation of some articles, including the first paragraph of 20. Temporary article of the Law, and requested them to be ineffective until the case of revocatory action is finalized. The application of the Main Opposition Party was rejected by the Higher Court with the resolution dated 30 March 2011.

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2013 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 24 January 2014. There is no need for technical or actual deficit to book provision as of 31 December 2013.

In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

#### XVII. Explanations on taxation

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

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

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### *Transfer pricing*

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

#### XVIII. Additional explanations on borrowings

Borrowings are recognized at initial cost on transaction date and carried at amortized cost using effective interest method. In the accompanying financial statements, foreign currency debt instruments are valued using foreign exchange rates of the Parent Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

All other borrowing costs are recorded to the income statement at the period they are incurred.

#### XIX. Explanations on share certificates issued

In the current period in the meeting of the General Assembly held on 26 March 2013, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.100.000 to TL 1.300.000 by TL 200.000. In respect of the resolution of the General Assembly, TL 168.000 of this increase will be incorporated from the profit of the year 2012, TL 32.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 3 May 2013, and has been published in the Turkish Trade Registry Gazette No: 8351 on 27 June 2013.

In the prior period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011, TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

#### XX. Explanations on acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

#### XXI. Explanations on government incentives

The Parent Bank does not use government incentives.

#### XXII. Explanations on segment reporting

In accordance with its mission, the Parent Bank mainly operates in investment and corporate banking segments.

Corporate Marketing Management operations are included in the corporate banking. The corporate banking is serving financial solutions and banking services for its large-scale corporate customers. Among the services given to corporate customers are; TL and foreign exchange operating loans, investment credits, project financing, letters of credit and letters of guarantees.

Operating income of investment banking are comprised of ; income that operations of Treasury, Corporate Finance, Research, Financial Institutions and Marketable Securities Managements. Under the investment banking activities, portfolio management for corporate and individual customers, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below.

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	292.135	187.960	1.493	481.588
Net Fees and Commission Income	8.001	2.348	17.518	27.867
Other Income	7.614	-	130.512	138.126
Other Expense	(72.444)	(31.637)	(173.307)	(277.388)
Profit Before Tax	235.306	158.671	(23.784)	370.193
Tax Provision				(75.039)
<b>Net Profit</b>				<b>295.154</b>
Group's profit/loss				303.890
Non-controlling interest				(8.736)
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	9.000.617	3.353.574	847.534	13.201.725
Investment in Associates and Subsidiaries	-	-	237.491	237.491
<b>Total Assets</b>	<b>9.000.617</b>	<b>3.353.574</b>	<b>1.085.025</b>	<b>13.439.216</b>
Segment Liabilities	8.905.217	1.859.560	656.905	11.421.682
Shareholders' Equity	-	-	2.017.534	2.017.534
<b>Total Liabilities</b>	<b>8.905.217</b>	<b>1.859.560</b>	<b>2.674.439</b>	<b>13.439.216</b>
Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	242.277	188.244	(5.677)	424.844
Net Fees and Commission Income	10.185	1.751	14.584	26.520
Other Income	7.010	10.375	72.197	89.582
Other Expense	(58.668)	(23.464)	(57.409)	(139.541)
Profit Before Tax	200.804	176.906	23.695	401.405
Tax Provision				(76.254)
<b>Net Profit</b>				<b>325.151</b>
Group's profit/loss				317.010
Non-controlling interest				8.141
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	6.792.868	3.068.682	783.339	10.644.889
Investment in Associates and Subsidiaries	-	-	212.429	212.429
<b>Total Assets</b>	<b>6.792.868</b>	<b>3.068.682</b>	<b>995.768</b>	<b>10.857.318</b>
Segment Liabilities	6.718.858	1.540.142	679.316	8.938.316
Shareholders' Equity	-	-	1.919.002	1.919.002
<b>Total Liabilities</b>	<b>6.718.858</b>	<b>1.540.142</b>	<b>2.598.318</b>	<b>10.857.318</b>

#### XXIII. Explanations on other matters

As a result amendments to TAS 19 (2011) all actuarial differences are recognised in the statement of comprehensive income.

Prior to these amendments, all actuarial differences had been recognised in profit or loss. As the amendments do not have significant impact on the comparative financial statements for the year ended 31 December 2012, they have not been restated.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

#### I. Explanations related to the consolidated capital adequacy standard ratio

Since 1 July 2012, capital adequacy standard ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on 28 June 2012 in the Official Gazette numbered 28337. In this context, credit and market risk are calculated based on the Standardised Approach and the operational risk is calculated based on the Basic Indicator Approach. In the calculation process of credit risk, loans are classified in the related risk weight by taking into account the risk portfolio types, ratings and credit risk mitigation techniques. The Parent Bank uses "comprehensive guarantee approach" for trading book items in the credit mitigation process.

As of 31 December 2013, the Parent Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 16,57%.

#### Information related to the consolidated capital adequacy standard ratio

Current Period	Risk Weights <sup>(*)</sup>						
	Parent Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.334.350</b>	<b>633.468</b>	<b>2.348.062</b>	<b>-</b>	<b>8.955.146</b>	<b>13</b>	<b>35</b>
<b>Risk Types</b>							
Contingent and Non-Contingent Claims on Sovereigns	2.334.314	-	368.699	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	1.500	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	319	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	419.010	783.400	-	-	-	-
Contingent and Non-Contingent Claims on Corporate	-	214.139	777.505	-	8.483.099	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	418.458	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	13	35
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	106.009	-	-
Other Claims	36	-	-	-	364.538	-	-

<sup>(\*)</sup> The Parent Bank has no credit risk related to 10% and 1250% risk weight.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the consolidated capital adequacy standard ratio (Continued)

Prior Period	Risk Weights (*)						
	Parent Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.275.521</b>	<b>136.510</b>	<b>1.598.550</b>	<b>14.025</b>	<b>7.316.578</b>	<b>8</b>	<b>8</b>
<b>Risk Types</b>							
Contingent and Non-Contingent Claims on Sovereigns	2.270.481	-	345.062	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	2.436	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	136.510	1.252.410	-	83.638	-	-
Contingent and Non-Contingent Claims on Corporate	-	-	-	-	6.708.708	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	14.025	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	1.078	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	8	8
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	184.038	-	-
Other Claims	5.040	-	-	-	337.758	-	-

(\*) The Parent Bank has no credit risk related to 10% and 1250% risk weight.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the consolidated capital adequacy standard ratio (Continued)

Current Period	Risk Weights (*)						
	Consolidated						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.348.823</b>	<b>673.707</b>	<b>2.712.906</b>	<b>-</b>	<b>8.925.870</b>	<b>13</b>	<b>35</b>
<b>Risk Types</b>							
Contingent and Non-Contingent Claims on Sovereigns	2.348.716	-	368.699	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	600	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	1.929	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	319	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	459.249	1.250.454	-	-	-	-
Contingent and Non-Contingent Claims on Corporate	-	214.139	777.505	-	8.486.612	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	315.648	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	13	35
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	92.833	-	-
Other Claims	107	-	-	-	344.496	-	-

(\*) The Group has no credit risk related to 10% and 1250% risk weight.



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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the consolidated capital adequacy standard ratio (Continued)

Prior Period	Risk Weights (*)						
	Consolidated						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.291.734</b>	<b>518.618</b>	<b>1.689.274</b>	<b>39.029</b>	<b>7.200.975</b>	<b>8</b>	<b>8</b>
<b>Risk Types</b>							
Contingent and Non-Contingent Claims on Sovereigns	2.270.481	-	345.062	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	600	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	4.418	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	518.018	1.343.134	-	83.638	-	-
Contingent and Non-Contingent Claims on Corporate	-	-	-	-	6.709.627	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	39.029	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	1.078	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	8	8
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	82.060	-	-
Other Claims	21.253	-	-	-	321.232	-	-

(\*) The Group has no credit risk related to 10% and 1250% risk weight.

#### Summary information related to the consolidated capital adequacy standard ratio

	Parent Bank Current Period	Consolidated Current Period	Parent Bank Prior Period	Consolidated Prior Period
Capital Requirement for Credit Risk (Amount subject to Credit Risk*0,08) (CRCR)	820.477	833.372	652.296	654.291
Capital Requirement for Market Risk (CRMR)	15.916	26.548	15.460	15.101
Capital Requirement for Operational Risk (CROR)	56.851	63.333	47.693	56.193
Shareholders' Equity	2.026.807	1.912.404	1.820.009	1.762.403
Shareholders' Equity/((CRCR+CRMR+CROR)*12,5)*100	18,15	16,57	20,35	19,43



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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Information related to the components of consolidated shareholders' equity

	The Parent Bank	Consolidated	The Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
<b>CORE CAPITAL</b>				
Paid-in Capital	1.300.000	1.300.000	1.100.000	1.100.000
Nominal Capital	1.300.000	1.300.000	1.100.000	1.100.000
Capital Commitments (-)	-	-	-	-
Inflation Adjustment to Share Capital	374	374	374	374
Share Premium	-	388	-	388
Share Cancellation Profits	-	-	-	-
Legal Reserves	254.006	262.400	187.221	195.793
Inflation Adjustment on Legal Reserves, Statutory Reserves and Extraordinary Reserves	-	-	-	-
Profit	326.057	365.889	307.264	369.263
Current Period Profit	326.057	303.890	307.264	317.010
Prior Years' Profits	-	61.999	-	52.253
Provisions for Possible Losses up to 25% of Core Capital	-	-	-	-
Profit on sale of associates, subsidiaries and buildings	8.920	8.920	35.157	35.157
Primary subordinated loans	-	-	-	-
Non-controlling interest	-	75.520	-	84.258
Loss that is not covered with reserves (-)	-	-	-	-
Net current period loss	-	-	-	-
Prior period loss	-	-	-	-
Leasehold improvements (-)	(111)	(1.776)	(198)	(873)
Intangible assets (-)	(645)	(1.244)	(618)	(1.015)
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-	-	-
Consolidation Goodwill (Net) (-)	-	(1.005)	-	(1.005)
<b>Total Core Capital</b>	<b>1.888.601</b>	<b>2.009.466</b>	<b>1.629.200</b>	<b>1.782.340</b>

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the components of consolidated shareholders' equity (Continued)

	The Parent Bank Current Period	Consolidated Current Period	The Parent Bank Prior Period	Consolidated Prior Period
<b>SUPPLEMENTARY CAPITAL</b>				
General Loan Loss Provisions	104.331	96.583	83.714	77.247
45% of the Revaluation Reserve for Movable Fixed Assets	-	-	-	-
45% of the of Revaluation Reserve for Properties	-	-	-	-
Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control	-	-	-	-
Primary Subordinated Loans Excluded in the Calculation of the Core Capital	-	-	-	-
Secondary Subordinated Loans <sup>(*)</sup>	42.400	42.400	53.040	53.040
45% of the Marketable Securities Value Increase Fund <sup>(**)</sup>	(8.169)	(702)	54.429	60.189
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-	-	-
Non Controlling Interest	-	1	-	7
<b>Total Supplementary Capital</b>	<b>138.562</b>	<b>138.282</b>	<b>191.183</b>	<b>190.483</b>
<b>CAPITAL</b>	<b>2.027.163</b>	<b>2.147.748</b>	<b>1.820.383</b>	<b>1.972.823</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(356)</b>	<b>(235.344)</b>	<b>(374)</b>	<b>(210.420)</b>
Shareholdings in Non-consolidated Banks and Financial Institutions	-	-	-	-
Loans Extended to Banks, Financial Institutions (Domestic and Abroad) and Qualified Shareholders, Like Secondary Subordinated Loan and Debt Instruments Purchased from These Institutions Issued, Like Primary and Secondary Subordinated Loan Banks and Financial Institutions to which are Accounted for Under Equity Method, but, are not Consolidated	-	(234.988)	-	(210.046)
Loans Extended Being Non-compliant with Articles 50 and 51 of the Law	-	-	-	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	(356)	(356)	(374)	(374)
Securitisation Positions Deducted from Equity Preferred	-	-	-	-
Other	-	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2.026.807</b>	<b>1.912.404</b>	<b>1.820.009</b>	<b>1.762.403</b>

<sup>(\*)</sup> According to BRSA's "Regulation on Equity of Banks", 40% amount of the Parent Bank's Subordinated Loan is included in the calculation of supplementary capital if the maturity of the subordinated loan is less than 5 years.

<sup>(\*\*)</sup> 45% of marketable securities value increase fund is included in computation if marketable securities value increase fund is positive, 100% is included if negative.

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### *The approaches used for internal capital adequacy assessment in terms of current and future activities*

The evaluation of the Parent Bank's internal capital adequacy assessment in terms of current and future activities is carried out within the framework of the principles identified at the Capital Adequacy Policy approved in the Board of Directors meeting held on 28 September 2012.

The purpose of the internal assessment process of capital requirements is to identify and evaluate all the risks both included and not included in the calculations of regulatory capital requirement, by this means, to ensure keeping sufficient capital to cover these risks and to ensure the application of appropriate risk management techniques.

The Parent Bank's internal assessment process is risk-oriented and future-oriented. Current and future capital requirements are analyzed in accordance with the Parent Bank's strategic objectives and anticipated capital costs, target capital levels and capital resources are taken into account. Through the process of internal assessment, a general capital level and assessment are exhibited, the results and findings of the internal assessment process are taken into consideration in the process of assessment of the Parent Bank's strategy and risk appetite.

Within the scope of the process, for the three-year period covering the years 2013-2015, the Parent Bank's capital requirement and internal capital adequacy is evaluated, based on the the Parent Bank's asset structure and risk profile, the expectations on macro-economic factors such as economic growth and foreign exchange rates, and stress scenarios, In this context, interest rate risk in the banking book, concentration risk for sectors, countries and economic groups within credit risk, liquidity risk and other risks including reputation risk, strategic risk, etc., as well as credit risk, market risk and operational risk which are contained in the calculation of the regulatory capital requirement, are included.

#### II. Explanations related to consolidated credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically.

Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in line with Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" ("Communiqué on Reserves"). Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Parent Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

The limits are also identified for the transactions made with the banks. The credit risk is managed by considering the creditworthiness and the limits of counter parties.

In accordance with Communiqué on Reserves;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, "Specific Provision" is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, "General Provision" is calculated for these loans.

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types

Current Period	Current Period Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
Contingent and Non-Contingent Claims on Sovereigns	3.145.346	3.315.917
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	3.000
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	9.660	13.131
Contingent and Non-Contingent Claims on Multilateral Development Banks	1.593	398
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	3.953.729	3.070.469
Contingent and Non-Contingent Claims on Corporates	11.652.551	10.858.791
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	76.051
Contingent and Non-Contingent Claims Secured by Real Estate Property	315.648	133.346
Past Due Loans	-	-
Higher-Risk Categories Defined by Agency	48	31
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	92.833	165.784
Other Claims	388.606	462.474

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

<sup>(\*\*)</sup> Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from 1 January 2013 to the period end.

Prior Period	Current Period Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	3.346.312
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	3.000
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	26.419	25.233
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.599.335	2.588.510
Contingent and Non-Contingent Claims on Corporates	9.072.669	8.949.003
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	236.926	246.009
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	539
Past Due Loans	-	-
Higher-Risk Categories Defined by Agency	16	17
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	205.611	255.927
Other Claims	342.485	338.919

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

<sup>(\*\*)</sup> Average risk amounts are the arithmetical average of the amounts in monthly reports in which capital adequacy is measured in accordance with Basel II, starting from 1 July 2012 to the period end.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the Parent Bank's management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole.

If exposed to a significant degree of credit risk, the Parent Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts

The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans.

Rescheduled loans are monitored within the Parent Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications.

The Parent Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern.

The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks.

The Parent Bank being an active participant in international banking market is not exposed to a significant degree of credit risk when evaluated with the financial operations of other financial institutions.

The first 100 and 200 largest cash loans constitute 84,66% and 97,88% of the total cash loans portfolio of the Group respectively (31 December 2012: 83,83% and 97,77%)

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Group respectively (31 December 2012: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 83,72% and 97,30% of the total on and off balance sheet accounts of the Group respectively (31 December 2012: 83,05% and 97,24%)

The Parent Bank calculated the general loan loss provision of TL 96.583 (31 December 2012: TL 77.247).

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Profile of Significant Exposures in Major Regions

Risk Types <sup>(*)</sup>								
Current Period	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	
Domestic	2.702.378	600	893	-	-	1.459.755	9.284.119	
European Union (EU) Countries	-	-	-	319	-	164.866	-	
OECD Countries <sup>(**)</sup>	-	-	-	-	-	1.708	-	
Off-Shore Banking Regions	-	-	-	-	-	-	22.359	
USA, Canada	-	-	-	-	-	49.900	-	
Other Countries	-	-	-	-	-	33.473	49.145	
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	122.631	
Unallocated Assets/Liabilities <sup>(***)</sup>	15.037	-	1.036	-	-	1	2	
<b>Total</b>	<b>2.717.415</b>	<b>600</b>	<b>1.929</b>	<b>319</b>	<b>-</b>	<b>1.709.703</b>	<b>9.478.256</b>	

<sup>(\*)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.<sup>(\*\*)</sup> Includes OECD countries other than EU countries, USA and Canada.<sup>(\*\*\*)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

Risk Types <sup>(*)</sup>								
Prior Period	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	
Domestic	2.615.543	600	4.418	-	-	1.665.450	6.709.626	
European Union (EU) Countries	-	-	-	-	-	34.060	-	
OECD Countries <sup>(**)</sup>	-	-	-	-	-	603	-	
Off-Shore Banking Regions	-	-	-	-	-	83.638	-	
USA, Canada	-	-	-	-	-	36.050	-	
Other Countries	-	-	-	-	-	27.915	-	
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	97.074	-	
Unallocated Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	1	
<b>Total</b>	<b>2.615.543</b>	<b>600</b>	<b>4.418</b>	<b>-</b>	<b>-</b>	<b>1.944.790</b>	<b>6.709.627</b>	

<sup>(\*)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.<sup>(\*\*)</sup> Includes OECD countries other than EU countries, USA and Canada.<sup>(\*\*\*)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
-	315.648	-	48	-	-	-	92.487	313.467	14.169.395
-	-	-	-	-	-	-	-	2.957	168.142
-	-	-	-	-	-	-	-	-	1.708
-	-	-	-	-	-	-	-	-	22.359
-	-	-	-	-	-	-	-	-	49.900
-	-	-	-	-	-	-	-	-	82.618
-	-	-	-	-	-	-	346	2.258	125.235
-	-	-	-	-	-	-	-	25.921	41.997
-	<b>315.648</b>	-	<b>48</b>	-	-	-	<b>92.833</b>	<b>344.603</b>	<b>14.661.354</b>

Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
39.013	1.078	-	16	-	-	-	81.854	33.534	11.151.132
-	-	-	-	-	-	-	-	2.957	37.017
-	-	-	-	-	-	-	-	-	603
-	-	-	-	-	-	-	-	-	83.638
-	-	-	-	-	-	-	-	-	36.050
-	-	-	-	-	-	-	-	-	27.915
-	-	-	-	-	-	-	206	2.143	99.423
16	-	-	-	-	-	-	-	303.851	303.868
<b>39.029</b>	<b>1.078</b>	-	<b>16</b>	-	-	-	<b>82.060</b>	<b>342.485</b>	<b>11.739.646</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Risk profile by sectors or counterparties

Risk Types (*)									
Current Period	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	
Agriculture	-	-	-	-	-	-	5.324	-	
Farming and Stockbreeding	-	-	-	-	-	-	5.324	-	
Forestry	-	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	9.218	6.575.239	-	
Mining and Quarrying	-	-	-	-	-	-	79.834	-	
Production	-	-	-	-	-	1.255	2.240.058	-	
Electricity, Gas and Water	-	-	-	-	-	7.963	4.255.347	-	
Construction	-	-	-	-	-	-	121.744	-	
Services	358.870	-	426	319	-	1.700.485	2.667.183	-	
Wholesale and Retail Trade	-	-	-	-	-	-	29.521	-	
Accommodation and Dining	-	-	-	-	-	-	282.542	-	
Transportation and Telecommunication	-	-	-	-	-	1.950	588.695	-	
Financial Institutions	358.870	-	426	319	-	1.698.535	1.018.950	-	
Real Estate and Rental Services	-	-	-	-	-	-	354.683	-	
Professional Services	-	-	-	-	-	-	315.618	-	
Educational Services	-	-	-	-	-	-	7.775	-	
Health and Social Services	-	-	-	-	-	-	69.399	-	
Others	2.358.545	600	1.503	-	-	-	108.766	-	
<b>Total</b>	<b>2.717.415</b>	<b>600</b>	<b>1.929</b>	<b>319</b>	<b>-</b>	<b>1.709.703</b>	<b>9.478.256</b>	<b>-</b>	

(\*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.



Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	TL	FC	Total
-	-	-	-	-	-	-	606	3.276	2.654	5.930
-	-	-	-	-	-	-	262	2.932	2.654	5.586
-	-	-	-	-	-	-	344	344	-	344
-	-	-	-	-	-	-	-	-	-	-
1.745	-	-	-	-	-	-	1.017	561.470	6.025.749	6.587.219
-	-	-	-	-	-	-	-	-	79.834	79.834
1.745	-	-	-	-	-	-	1.017	321.756	1.922.319	2.244.075
-	-	-	-	-	-	-	-	239.714	4.023.596	4.263.310
2.130	-	-	-	-	-	-	-	29.246	94.628	123.874
311.773	-	-	-	-	-	92.833	52.510	1.138.993	4.045.406	5.184.399
-	-	-	-	-	-	-	92	10.499	19.114	29.613
3.532	-	-	-	-	-	-	-	10	286.064	286.074
-	-	-	-	-	-	-	1.355	1.367	590.633	592.000
-	-	-	-	-	-	92.833	50.216	1.084.715	2.135.434	3.220.149
302.197	-	-	-	-	-	-	-	11.768	645.112	656.880
-	-	-	-	-	-	-	847	30.634	285.831	316.465
6.044	-	-	-	-	-	-	-	-	13.819	13.819
-	-	-	-	-	-	-	-	-	69.399	69.399
-	-	48	-	-	-	-	290.470	2.320.006	439.926	2.759.932
<b>315.648</b>	-	<b>48</b>	-	-	-	<b>92.833</b>	<b>344.603</b>	<b>4.052.991</b>	<b>10.608.363</b>	<b>14.661.354</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Risk profile by sectors or counterparties (Continued)

Risk Types <sup>(*)</sup>									
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	
<b>Prior Period</b>									
Agriculture	-	-	-	-	-	-	12.024	-	
Farming and Stockbreeding	-	-	-	-	-	-	12.024	-	
Forestry	-	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	23.504	4.974.343	-	
Mining and Quarrying	-	-	-	-	-	-	41.880	-	
Production	-	-	-	-	-	8.035	1.947.948	-	
Electricity, Gas and Water	-	-	-	-	-	15.469	2.984.515	-	
Construction	-	-	-	-	-	-	153.518	-	
Services	145.973	-	4.184	-	-	1.921.270	1.565.210	-	
Wholesale and Retail Trade	-	-	-	-	-	-	354.482	-	
Accommodation and Dining	-	-	-	-	-	1.236	207.953	-	
Transportation and Telecommunication	-	-	-	-	-	-	417.806	-	
Financial Institutions	145.973	-	4.184	-	-	1.920.034	1.994	-	
Real Estate and Rental Services	-	-	-	-	-	-	385.195	-	
Professional Services	-	-	-	-	-	-	152.732	-	
Educational Services	-	-	-	-	-	-	12.419	-	
Health and Social Services	-	-	-	-	-	-	32.629	-	
Others	2.469.570	600	234	-	-	16	4.532	39.029	
<b>Total</b>	<b>2.615.543</b>	<b>600</b>	<b>4.418</b>	<b>-</b>	<b>-</b>	<b>1.944.790</b>	<b>6.709.627</b>	<b>39.029</b>	

(\*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher- Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short- Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	TL	FC	Total
	-	-	-	-	-	-	-	629	6.297	6.356	12.653
	-	-	-	-	-	-	-	267	5.935	6.356	12.291
	-	-	-	-	-	-	-	362	362	-	362
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	2.486	264.056	4.736.277	5.000.333
	-	-	-	-	-	-	-	-	-	41.880	41.880
	-	-	-	-	-	-	-	1.194	179.228	1.777.949	1.957.177
	-	-	-	-	-	-	-	1.292	84.828	2.916.448	3.001.276
	-	-	-	-	-	-	-	-	17.553	135.965	153.518
	1.078	-	-	-	-	-	82.060	34.182	890.231	2.863.726	3.753.957
	-	-	-	-	-	-	-	-	41.776	312.706	354.482
	-	-	-	-	-	-	-	-	10	209.179	209.189
	-	-	-	-	-	-	-	1.235	1.358	417.683	419.041
	-	-	-	-	-	-	82.060	32.100	823.563	1.362.782	2.186.345
	-	-	-	-	-	-	-	-	14.113	371.082	385.195
	-	-	-	-	-	-	-	847	9.411	144.168	153.579
	-	-	-	-	-	-	-	-	-	12.419	12.419
	1.078	-	-	-	-	-	-	-	-	33.707	33.707
	-	-	16	-	-	-	-	305.188	2.462.431	356.754	2.819.185
	1.078	-	16	-	-	-	82.060	342.485	3.640.568	8.099.078	11.739.646

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Current Period</b>					
Contingent and Non-Contingent Claims on Sovereigns	292.004	271.469	143.993	337.475	1.552.916
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	1.036	-	-	-	458
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	319
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	725.027	75.036	87.541	168.521	490.937
Contingent and Non-Contingent Claims on Corporates	345.561	47.102	152.993	546.069	8.369.630
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	89	2.497	313.062
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	12	-	36
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
Other Claims	7.745	-	-	-	-
<b>Total</b>	<b>1.371.373</b>	<b>393.607</b>	<b>384.628</b>	<b>1.054.562</b>	<b>10.819.689</b>

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<b>Prior Period</b>					
Contingent and Non-Contingent Claims on Sovereigns	247.470	59.518	152.402	165.100	1.963.716
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	65	-	-	1.982	2.367
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	249.657	256.360	54.265	109.833	1.215.073
Contingent and Non-Contingent Claims on Corporates	64.526	102.502	82.847	232.854	6.205.047
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	35.752	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	-	1.078	-
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	16
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
Other Claims	4.454	-	10	-	77.390
<b>Total</b>	<b>601.924</b>	<b>418.380</b>	<b>289.524</b>	<b>510.847</b>	<b>9.463.609</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Information on risk types

Referring to article No. 7 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", in the process of risk weighted assets calculation, risk weights are determined through ratings given by authorized rating companies. Ratings given by International Rating Companies can be used for receivables includes receivables from Banks and Brokerage Houses settled abroad, receivables from Regional Authorities and Local Authorities, receivables from Administrative Bodies and Non-Commercial Undertakings, receivables from Multilateral Development Banks and Corporate Receivables risk weights. The Resident Institutions are assessed as unrated.

In determination of risk weights for exposures on capital adequacy calculation of the Parent Bank, ratings are used given by Fitch Ratings Rating Agency.

The table related to mapping of the ratings given by Fitch Ratings' International Rating Agency as per credit quality grades and risk weights used in the calculations, is as follows.

Current Period		Risk Types			
Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
	BBB+				
3	BBB	50%	20%	50%	100%
	BBB-				
	BB+				
	BB				
4	BB-	100%	50%	100%	100%
	B+				
	B				
	B-				
5	CCC+	100%	50%	100%	150%
	CCC				
	CCC-				
	CC				
6	C	150%	150%	150%	150%
	D				
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(\*) Used in case when the risk weight of the sovereign of the Parent Bank's country is not higher.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

The table related to mapping of the ratings given by Fitch Ratings' International Rating Agency as per credit quality grades and risk weights used in the calculations, is as follows.

Prior Period		Risk Types			
Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
Unrated	D	100%	20% (*)	50% (*)	100%
	Unrated				

(\*) Used in case when the risk weight of the sovereign of the Parent Bank's country is not higher.

#### Exposures by risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equities
<b>Current Period</b>										
Exposures Before Credit Risk Mitigation (*)	2.568.246	-	1.933.671	2.429.269	-	9.335.334	13	35	-	239.369
Exposures After Credit Risk Mitigation	2.348.823	-	673.707	2.712.906	-	8.925.870	13	35	-	239.369

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

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Exposures by risk weights (Continued)

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equities
<b>Prior Period</b>										
Exposures Before Credit Risk Mitigation <sup>(*)</sup>	3.109.444	-	677.179	1.663.440	117.583	7.407.027	8	8	-	213.313
Exposures After Credit Risk Mitigation	2.291.734	-	518.618	1.689.274	39.029	7.200.975	8	8	-	213.313

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

#### Information of major sectors or type of counterparties

Current Period	Loans		Value	
Major Sectors/Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.432	-	-	(3.432)
Farming and Stockbreeding	3.432	-	-	(3.432)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	26.941	-	-	(26.941)
Mining and Quarrying	191	-	-	(191)
Production	9.512	-	-	(9.512)
Electricity, Gas and Water	17.238	-	-	(17.238)
Construction	516	-	-	(516)
Services	6.497	-	-	(6.497)
Wholesale and Retail Trade	829	-	-	(829)
Accommodation and Dining	292	-	-	(292)
Transportation and Telecommunication	-	-	-	-
Financial Institutions	12	-	-	(12)
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.364	-	-	(5.364)
Others	-	-	-	-
<b>Total</b>	<b>37.386</b>	<b>-</b>	<b>-</b>	<b>(37.386)</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information of major sectors or type of counterparties (Continued)

Prior Period	Loans		Value	
Major Sectors/Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.422	-	-	(3.422)
Farming and Stockbreeding	3.422	-	-	(3.422)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	4.523	985	10	(4.523)
Mining and Quarrying	191	-	-	(191)
Production	4.332	-	-	(4.332)
Electricity, Gas and Water	-	985	10	-
Construction	513	-	-	(513)
Services	7.166	-	-	(7.166)
Wholesale and Retail Trade	399	-	-	(399)
Accommodation and Dining	963	-	-	(963)
Transportation and Telecommunication	74	-	-	(74)
Financial Institutions	413	-	-	(413)
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.317	-	-	(5.317)
Others	-	-	-	-
<b>Total</b>	<b>15.624</b>	<b>985</b>	<b>10</b>	<b>(15.624)</b>

Information related with value adjustments and loan loss provisions

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	15.624	24.027	2.265	-	37.386
General Loan Loss Provision	77.247	19.336	-	-	96.583
Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	27.698	613	12.687	-	15.624
General Loan Loss Provision	58.491	18.756	-	-	77.247

Cash credit quality per class of financial assets as of 31 December 2013 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	9.049.098	-	9.049.098
Corporate Loans	7.311.914	-	7.311.914
Loans to SME	1.684.011	-	1.684.011
Consumer Loans	174	-	174
Other	52.999	-	52.999
Receivables from Leasing Transactions	4.518	-	4.518
<b>Total</b>	<b>9.053.616</b>	<b>-</b>	<b>9.053.616</b>



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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Cash credit quality per class of financial assets as of 31 December 2012 is as follows:

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	6.813.234	985	6.814.219
Corporate Loans	5.165.193	-	5.165.193
Loans to SME	1.613.950	985	1.614.935
Consumer Loans	168	-	168
Other	33.923	-	33.923
Receivables from Leasing Transactions	9.432	-	9.432
<b>Total</b>	<b>6.822.666</b>	<b>985</b>	<b>6.823.651</b>

Credit risk is evaluated according to the Parent Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to Parent Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Parent Bank's internal ratings. The loans rated according to the possibility of being in default are classified from the highest grade (top grade) to the lowest (below average) as below; at the bottom of the table there are credits in default (impaired) according to rating model.

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	325.050	410.632
High Grade	3.463.517	2.877.120
Average Grade	4.551.900	3.254.586
Below Average Grade	1.681.207	1.444.957
Impaired	41.616	15.624
<b>Total</b>	<b>10.063.290</b>	<b>8.002.919</b>

Category "top" shows that the debtor has a very strong financial structure, "high" shows that the debtor has a strong financial structure, "average" shows the debtor's financial structure is good enough while "below average" category shows that debtor's financial structure is under risk in the short and medium term.

As of the reporting date, the total of the Group's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 10.544.422; and TL 481.132 of these customers have not been rated (31 December 2012: TL 8.051.832; TL 48.913).

Carrying amount per class of financial assets whose terms have been renegotiated

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Loans	106.575	27.595
Corporate Loans	16.588	23.270
Loans to SME	89.987	3.330
Consumer Loans	-	-
Other	-	995
<b>Total</b>	<b>106.575</b>	<b>27.595</b>

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### III. Explanations related to the consolidated market risk

In order to avoid the market risk and restrict the risks carried, the Board of Directors determines the limits on market risk. Risk, notional and proportional basis limitation systems are used and informative reports regarding market risk position of the bank are presented to Board of Directors, relevant committees and top management.

The guidelines prepared by Risk Management regarding organization, responsibility and fields of activity were approved by the Board of Directors. Risk management policies were determined and announced throughout the Parent Bank.

Legally, the standard method is used to calculate the consolidated and unconsolidated market risk. In addition to the standard method, the Parent Bank applies Monte Carlo simulation which is internal model to securities portfolio, foreign currency position on a daily or monthly basis to detect the market risks. The success of these models is tested retrospectively. The Parent Bank also makes VaR calculations, scenario analyses and stress tests to detect the risks not caught by using internal models. Market risk is measured on a daily basis and reported to top management, Audit Committee and the Board of Directors weekly and monthly:

The consolidated market risk table is as follows:

##### 1.a Information related to the consolidated market risk:

	Current period	Prior Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	7.438	4.449
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	843	768
Capital Requirement for Specific Risk Relating to Securitization Positions - Standard Method	-	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	14.007	8.192
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting From Options - Standard Method	-	-
(VII) Counterparty credit risk capital requirement - Standard method	4.260	1.692
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-	-
(IX) Total Capital Requirement to be Employed for Market	26.548	15.101
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>331.850</b>	<b>188.763</b>

##### 1.b Average market risk table as of the month ends during the period:

	Current Period			Prior Period <sup>(*)</sup>		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	7.029	8.358	5.317	4.688	4.737	4.639
Common Stock Risk	372	721	135	335	480	190
Currency Risk	12.259	15.295	7.237	9.592	10.992	8.192
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	353	857	-	42	83	-
Counterparty Credit Risk	2.788	4.260	1.933	2.398	3.103	1.692
<b>Total Value At Risk</b>	<b>22.801</b>	<b>29.491</b>	<b>14.622</b>	<b>17.055</b>	<b>19.395</b>	<b>14.713</b>

<sup>(\*)</sup> Risk information given above includes the period between July - December 2012 and represents the amounts calculated under the "Regulation on Measurement and Assessment of the Capital Adequacy of the Banks" published on 28 June 2012.

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### 2. Explanation related to counter party risk

The Parent Bank gives long term, medium term and short term loans within principles and limits determined by the Board of Directors according to the Banking Law. Loan transactions includes all manner of lending type about financing investments and need to working capital of firms, domestic and foreign loan participation from primary and secondary market, underwriting to purchase and sell of bond and legal instruments that will issued, provide APEX loan facilities to banks and financial institutions by leasing, treasury derivative transaction within limits assigned to firms, export-import transactions, treasury, money and capital market and derivative transaction within limits in countenance of financial institutions (Counterparties).

Project guarantee, mortgage, personnel guarantee, company guarantee, cheques and notes, cash blockage, stock and security pledges could be taken on Treasury, Money and Capital Market and Derivative transaction within limits in countenance of non-financial institutions (Counterparties). On Treasury, Money and Capital Market transaction within limits in countenance of financial institutions (Counterparties) guarantee is not taken and on derivative transactions collateral netting is applied for the firms that signed CSA agreements based on daily derivative valuation. The provision is reserved in accordance with "Substance of the Procedures and Principles Related to Determination of Loans and Other Receivables by the Banks and Allocation of Provision for Those" and international practices.

##### Quantitative information related to counterparty risk

	Current Period	Prior Period
Interest Rate Contracts	18.440	22.318
Foreign Exchange Rate Contracts	49.011	14.265
Commodity Contracts	-	-
Equity Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	67.451	36.583
Net-off Benefits	-	-
Net-off Current Risk Amount	67.451	36.583
Collaterals Received	1.166	8.112
Net Derivative Position	66.285	28.471

##### 3. Required disclosures in case the capital requirement of the Bank is calculated by a risk measurement model permitted by BRSA

Internal model is not used on the calculation of capital requirements for counterparty loan risk.

##### Other price risks

The Parent Bank is exposed to equity price risks arising from equity investments. Equity investments are mostly held for trading purposes. The Parent Bank does not actively trade these investments.

##### Equity shares price sensitivity

The sensitivity analysis below has been determined based on the exposure to stock price risks at the reporting date.

If the inputs (equity shares prices) to the valuation model had been 20% higher/lower while all other variables were held constant;

The Group classifies its equity investments both as held for trading and available for sale investments. Therefore, the net profit/loss is not affected as long as the Group does not sell its equity investments classified as available for sale investments. According to the analysis results under these assumptions; marketable securities value increase fund will increase or decrease by TL 2.166 (31 December 2012: TL 3.354), for marketable securities classified as financial assets held for trading the profit/loss would decrease/increase by TL 203 (31 December 2012: TL 516 marketable securities value increase fund increase/decrease).

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### IV. Explanations related to consolidated operational risk

Operational risk amount of the Group is measured with Basic Indicator Method referring to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" According to this method, the calculation is performed parallel to the practice within the country, by multiplying 15% of the Group's last three years' average gross revenue with 12,5.

Yearly gross income, as presented on the income statement; is calculated with net interest income plus net fee and commission, dividend income except from subsidiaries and associates, trading profit/loss and other operational income minus profit/loss gain on sale of assets other than of trading accounts, extraordinary incomes, operational expense for support service from a bank and recoveries from insurance.

	31 December 2010	31 December 2011	31 December 2012	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	364.360	404.306	497.984	422.217	15	63.333
Value at Operational Risk (Total*12,5)						791.656

##### V. Explanations related to consolidated currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Parent Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

The Group has no hedging transactions through derivative instruments for its foreign currency borrowings and net foreign currency investments.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in USD and EURO are as follows:

	1 USD	1 Euro
<b>A. Bank "Foreign Exchange Valuation Rate"</b>		
31 December 2013	2,1200	2,9226
<b>Prior Five Workdays:</b>		
30 December 2013	2,1300	2,9256
27 December 2013	2,0950	2,8827
26 December 2013	2,0750	2,8394
25 December 2013	2,0650	2,8241
24 December 2013	2,0800	2,8463

Simple arithmetic thirty-day averages of the USD and EURO buying rates of the Parent Bank before the reporting date are TL 2,0422 and 2,7971; respectively.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### Information on the Group's foreign currency risk:

	Euro	USD	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	142.103	160.761	-	302.864
Banks	141.924	267.247	2.162	411.333
Financial Assets at Fair Value Through Profit and Loss <sup>(*)</sup>	15.397	16.265	-	31.662
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	32.845	345.221	-	378.066
Loans <sup>(**)</sup>	3.558.574	4.914.340	-	8.472.914
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(***)</sup>	4.519	46.038	-	50.557
<b>Total Assets</b>	<b>3.895.362</b>	<b>5.749.872</b>	<b>2.162</b>	<b>9.647.396</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	6.845	239.386	-	246.231
Funds Provided From Other Financial Institutions	4.158.504	4.999.017	-	9.157.521
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	2.436	8.868	907	12.211
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities <sup>(****)</sup>	18.520	20.702	-	39.222
<b>Total Liabilities</b>	<b>4.186.305</b>	<b>5.267.973</b>	<b>907</b>	<b>9.455.185</b>
<b>Net Balance Sheet Position</b>	<b>(290.943)</b>	<b>481.899</b>	<b>1.255</b>	<b>192.211</b>
<b>Net Off-Balance Sheet Position</b>	<b>(74.627)</b>	<b>(287.450)</b>	<b>2</b>	<b>(362.075)</b>
Financial Derivative Assets	505.646	308.449	14.559	828.654
Financial Derivative Liabilities	(580.273)	(595.899)	(14.557)	(1.190.729)
Non-Cash Loans <sup>(*****)</sup>	223.885	722.887	727	947.499
<b>Prior Period</b>				
Total Assets	3.027.903	4.226.956	483	7.255.342
Total Liabilities	3.357.583	3.916.951	33	7.274.567
<b>Net Balance Sheet Position</b>	<b>(329.680)</b>	<b>310.005</b>	<b>450</b>	<b>(19.225)</b>
<b>Net Off -Balance Sheet Position</b>	<b>242.119</b>	<b>(261.867)</b>	<b>893</b>	<b>(18.855)</b>
Financial Derivative Assets	416.985	130.153	893	548.031
Financial Derivative Liabilities	(174.866)	(392.020)	-	(566.886)
Non-Cash Loans <sup>(*****)</sup>	110.311	811.491	-	921.802

(\*) Exchange rate differences arising from derivative transactions amounting to TL 2.370 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(\*\*) Loans extended include TL 1.619.009 foreign currency indexed loans.

(\*\*\*) Prepaid expenses amounting to TL 147 have not been included in "Other Assets".

(\*\*\*) Marketable securities valuation increase fund amounting to TL 15.648 and exchange rate differences arising from derivative transactions amounting to TL 18.231 have not been included in "Other Liabilities". Borrower funds amounting TL 5,008 based on foreign currencies have been included in "Other Liabilities".

(\*\*\*) Has no effect on net off-balance sheet position.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

The Group is mostly exposed to Euro, US Dollars, other foreign currencies.

The following tables detail the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit/Loss <sup>(*)</sup>		Effect on Equity <sup>(**)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	18.026	1.022	1.419	3.792
Euro	10	(36.703)	(8.857)	146	101
Other	10	126	134	-	-

	Increase in Currency Rate	Effect on Profit/Loss <sup>(*)</sup>		Effect on Equity <sup>(**)</sup>	
	%	Current Period	Prior Period	%	Current Period
USD	10	(18.026)	(1.022)	(1.419)	(3.792)
Euro	10	36.703	8.857	(146)	(101)
Other	10	(126)	(134)	-	-

(\*) Values expressed are before the tax effect.

(\*\*) Effect on equity does not include effect on profit/loss.

#### Forward foreign exchange contracts

The Group does not have forward foreign exchange contracts to hedge the risk exposure from payments and collections in any foreign exchange.

#### VI. Explanations related to consolidated interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Parent Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of the Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Parent Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Parent Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

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# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing <sup>(*)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	345.040	345.040
Banks	346.369	59.422	-	-	-	15.513	421.304
Financial Assets at Fair Value Through Profit and Loss	8.638	13.816	16.777	18.124	1.697	1.196	60.248
Money Market Placements	50	-	-	-	-	-	50
Available-for-Sale Financial Assets	995.066	721.674	474.783	530.712	199.794	51.029	2.973.058
Loans	1.467.507	3.460.688	3.517.943	519.443	30.518	52.999	9.049.098
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets <sup>(**)</sup>	3.099	4.495	-	-	-	582.824	590.418
<b>Total Assets</b>	<b>2.820.729</b>	<b>4.260.095</b>	<b>4.009.503</b>	<b>1.068.279</b>	<b>232.009</b>	<b>1.048.601</b>	<b>13.439.216</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.810.249	-	45.955	-	-	-	1.856.204
Miscellaneous Payables	-	-	-	-	-	89.769	89.769
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	3.019.458	3.231.546	2.215.319	226.919	538.554	-	9.231.796
Other Liabilities <sup>(***)</sup>	24.398	3.323	12.895	22.802	440	2.197.589	2.261.447
<b>Total Liabilities</b>	<b>4.854.105</b>	<b>3.234.869</b>	<b>2.274.169</b>	<b>249.721</b>	<b>538.994</b>	<b>2.287.358</b>	<b>13.439.216</b>
Balance Sheet Long Position	-	1.025.226	1.735.334	818.558	-	-	3.579.118
Balance Sheet Short Position	(2.033.376)	-	-	-	(306.985)	(1.238.757)	(3.579.118)
Off-Balance Sheet Long Position	117.536	88.022	19.288	-	39.418	-	264.264
Off-Balance Sheet Short Position	-	-	-	(279.007)	-	-	(279.007)
<b>Total Position</b>	<b>(1.915.840)</b>	<b>1.113.248</b>	<b>1.754.622</b>	<b>539.551</b>	<b>(267.567)</b>	<b>(1.238.757)</b>	<b>(14.743)</b>

<sup>(\*)</sup> Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(\*\*)</sup> Finance lease receivables amounting to TL 4.518 are presented in "Other Assets" on the basis of related maturities.

<sup>(\*\*\*)</sup> Borrower funds amounting to TL 5.954 are presented in "Other Liabilities" within 1-month maturity column.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Average interest rates applied to monetary financial instruments: %

	Euro	USD	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	2,97	3,31	-	8,00
Financial Assets at Fair Value Through Profit and Loss	-	-	-	10,61
Money Market Placements	-	-	-	9,00
Available-for-Sale Financial Assets	5,45	6,73	-	9,51
Loans	3,77	4,16	-	9,37
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,51	0,88	-	6,82
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	0,50	0,50	-	4,00
Funds Provided From Other Financial Institutions	0,89	1,11	-	9,80



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## SECTION FOUR (Continued)

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items of prior period (based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(*)</sup>	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	132.666	132.666
Banks	22.054	333.221	43.804	-	-	40.996	440.075
Financial Assets at Fair Value Through Profit and Loss	6.182	11.103	9.022	5.686	5.739	3.437	41.169
Money Market Placements	199	-	-	-	-	-	199
Available-for-Sale Financial Assets	979.951	726.647	483.844	377.504	275.789	38.527	2.882.262
Loans	1.098.707	2.467.258	2.819.258	357.741	40.472	30.783	6.814.219
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets <sup>(**)</sup>	8.282	7.585	793	37	-	530.031	546.728
<b>Total Assets</b>	<b>2.115.375</b>	<b>3.545.814</b>	<b>3.356.721</b>	<b>740.968</b>	<b>322.000</b>	<b>776.440</b>	<b>10.857.318</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.499.687	2.164	777	-	-	-	1.502.628
Miscellaneous Payables	-	-	-	-	-	112.830	112.830
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.435.160	2.792.656	1.564.704	84.866	241.344	-	7.118.730
Other Liabilities <sup>(***)</sup>	10.875	380	1.989	7.941	9.563	2.092.382	2.123.130
<b>Total Liabilities</b>	<b>3.945.722</b>	<b>2.795.200</b>	<b>1.567.470</b>	<b>92.807</b>	<b>250.907</b>	<b>2.205.212</b>	<b>10.857.318</b>
Balance Sheet Long Position	-	750.614	1.789.251	648.161	71.093	-	3.259.119
Balance Sheet Short Position	(1.830.347)	-	-	-	-	(1.428.772)	(3.259.119)
Off-Balance Sheet Long Position	73.921	56.549	-	9.960	-	-	140.430
Off-Balance Sheet Short Position	-	-	(82.257)	-	(52.096)	-	(134.353)
<b>Total Position</b>	<b>(1.756.426)</b>	<b>807.163</b>	<b>1.706.994</b>	<b>658.121</b>	<b>18.997</b>	<b>(1.428.772)</b>	<b>6.077</b>

<sup>(\*)</sup> Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

<sup>(\*\*)</sup> Finance lease receivables amounting to TL 9.432 are presented in "Other Assets" on the basis of related maturities.

<sup>(\*\*\*)</sup> Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

Average interest rates applied to monetary financial instruments in prior period: %

	Euro	USD	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	3,52	-	-	7,75
Financial Assets at Fair Value Through Profit and Loss	-	7,00	-	8,79
Money Market Placements	-	-	-	4,75
Available-for-Sale Financial Assets	5,36	6,49	-	9,04
Loans	3,75	4,25	-	10,32
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,76	1,02	-	5,62
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,18	1,19	-	6,62

#### The interest rate risk of the banking book items

Interest rate risk caused by banking book accounts includes, Receivables from Central Bank, Receivables from Money Markets, Receivable from Banks, Available for Sale Financial Assets, Receivables from Reverse Repurchase Agreement, Receivables from Loans, Held to Maturity Investments and Other Receivables, which are monitored in banking book, in assets and includes Payables to Central Bank in banking accounts, Payables to Money Markets, Payables to Banks, Funds Provided from Repurchase Agreement, Securities Issued by the Bank, Payables to Loans, Subordinated Debts and Other Debts which are monitored in banking book accounts in liabilities. All derivative instruments are recorded in trading book accounts. FR400AS, in mandatory reports list of BRSA, is prepared and reported each month.

In accordance with the communiqué on "Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts", economic valuation differences of the Parent Bank arising from fluctuations on interest rates, in different currencies are presented in the table below.

Current Period Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	+500/(400) basis point	(60.344)/54.394	(3,0%)/2,7%
Euro	+200/(200) basis point	13.280/(20.955)	0,7%/(1,0) %
US Dollar	+200/(200) basis point	(9.590)/4.765	(0,5%)/0,2%
<b>Total (for Negative Shocks)</b>		<b>38.204</b>	<b>1,9%</b>
<b>Total (for Positive Shocks)</b>		<b>(56.654)</b>	<b>(2,8%)</b>

Prior Period Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	+500/(400) basis point	(44.237)/39.488	(2,4%)/2,2%
Euro	+200/(200) basis point	7.213/(10.657)	0,4%/(0,6%)
US Dollar	+200/(200) basis point	(55.064)/44.673	(3,0%)/2,5%
<b>Total (for Negative Shocks)</b>		<b>73.504</b>	<b>4,1%</b>
<b>Total (for Positive Shocks)</b>		<b>(92.088)</b>	<b>(5,0%)</b>

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Interest rate sensitivity

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Parent Bank screens many risk control ratios including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and upper management, Board of Directors and Audit Committee are informed of these risks.

The Group's interest rate sensitivity is calculated according to the market risk related to assets and liabilities. In this context, at the reporting date, if interest rates had been 1 bp higher for TL and foreign currency and all other variables were held constant, the net decrease on the profit and shareholders' equity would have been TL 2.691 and if interest rates had been 1 bp lower for TL and foreign currencies, the net increase on the profit and shareholders' equity change would have been TL (1.659).

The Group's available for sale portfolio in the current period increased approximately by 7% compared to prior period and the market value increased approximately by 3%. In addition to this, foreign exchange assets in the Parent Bank's portfolio are approximately 13% of the portfolio in the current period while this ratio was 16% in the prior period in terms of fair value.

#### VII. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

Equity shares are recognized according to "TAS 39- Financial Instruments: Recognition and Measurement". Trading securities in an active market (in exchange market) are reflected to financial statements with fair value taking into account of quoted securities on exchange market. Non-trading securities in an active market (in exchange market) are followed up according to the acquisition cost and recorded by considering impairment.

##### Equity shares risk due from banking book

Below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	10.735	-	10.735
Quoted	10.735	-	10.735
Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	16.772	-	16.772
Quoted	16.772	-	16.772

Türkiye Sınai Kalkınma Bankası A.Ş.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
<b>Portfolio</b>						
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(497)	-	-	223	-	100
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	<b>(497)</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>-</b>	<b>100</b>

Prior Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
<b>Portfolio</b>						
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(1.291)	-	-	2.592	-	1.166
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	<b>(1.291)</b>	<b>-</b>	<b>-</b>	<b>2.592</b>	<b>-</b>	<b>1.166</b>

#### VIII. Explanations related to the consolidated liquidity risk

The Parent Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The Parent Bank does not invest into illiquid markets and instruments. The liquidity ratios are followed up and the maturity match and the coverage of liquidity need are targeted in the context of asset-liability management. Although the Parent Bank started to perform tests to calculate liquidity risk with internal models, the risk is still followed up basically by arranging the risks with respect to (holding period) data.

For the purpose of meeting the liquidity requirement, the Parent Bank chooses one of the three or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Parent Bank's liquidity management is implemented by meeting all the obligations on time considering the Parent Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances.

The Parent Bank meets its short term liquidity requirements with repurchase agreements and inter-bank money market operations. The Parent Bank may also use its available for sale portfolio for urgent liquidity requirement. The Parent Bank meets its long term liquidity needs from the international institutions through borrowings.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Parent Bank. For the purposes of monitoring and assessing the liquidity position of the Parent Bank's assets and liabilities, the liquidity rate is weekly calculated. The ratio during the year 2011 and 2012 are as follows:

	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
Current Period	FC	FC + TL	FC	FC + TL
Average (%)	109,06	140,86	112,67	138,53
Prior Period	FC	FC + TL	FC	FC + TL
Average (%)	120,33	165,47	117,90	154,16

#### Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(*)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	78.261	250.283	-	16.496	-	-	-	345.040
Banks	15.513	346.369	59.422	-	-	-	-	421.304
Financial Assets at Fair Value Through Profit and Loss	1.196	1.478	8.479	16.603	28.932	3.560	-	60.248
Money Market Placements	-	50	-	-	-	-	-	50
Financial Assets Available-for-Sale	-	111.624	291.689	676.121	1.035.075	807.520	51.029	2.973.058
Loans	52.999	451.561	229.301	1.562.639	4.795.432	1.957.166	-	9.049.098
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets <sup>(**)</sup>	438	3.099	3.075	1.420	-	-	582.386	590.418
<b>Total Assets</b>	<b>148.407</b>	<b>1.164.464</b>	<b>591.966</b>	<b>2.273.279</b>	<b>5.859.439</b>	<b>2.768.246</b>	<b>633.415</b>	<b>13.439.216</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	408.063	143.750	849.876	3.465.068	4.365.039	-	9.231.796
Money Market Borrowings	-	1.810.249	-	45.955	-	-	-	1.856.204
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	9.332	-	-	-	-	-	80.437	89.769
Other Liabilities <sup>(***)</sup>	17.073	7.278	3.323	12.906	22.802	476	2.197.589	2.261.447
<b>Total Liabilities</b>	<b>26.405</b>	<b>2.225.590</b>	<b>147.073</b>	<b>908.737</b>	<b>3.487.870</b>	<b>4.365.515</b>	<b>2.278.026</b>	<b>13.439.216</b>
<b>Liquidity Gap</b>	<b>122.002</b>	<b>(1.061.126)</b>	<b>444.893</b>	<b>1.364.542</b>	<b>2.371.569</b>	<b>(1.597.269)</b>	<b>(1.644.611)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	103.264	579.630	578.222	1.561.530	5.372.622	2.093.492	568.558	10.857.318
Total Liabilities	12.097	1.769.723	121.817	546.520	2.595.519	3.624.027	2.187.615	10.857.318
<b>Liquidity Gap</b>	<b>91.167</b>	<b>(1.190.093)</b>	<b>456.405</b>	<b>1.015.010</b>	<b>2.777.103</b>	<b>(1.530.535)</b>	<b>(1.619.057)</b>	<b>-</b>

<sup>(\*)</sup> Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

<sup>(\*\*)</sup> Finance lease receivables amounting to TL 4.518 are presented in "Other Assets" on the basis of related maturities.

<sup>(\*\*\*)</sup> Borrower funds amounting to TL 5.954 are presented in "Other Liabilities" within 1-month maturity column.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	481.658	152.117	906.042	3.712.473	4.599.703	(560.149)	9.291.844
Money Market Borrowings	1.811.557	-	46.665	-	-	(1.777)	1.856.445
Funds	5.954	-	-	-	-	-	5.954
<b>Total</b>	<b>2.299.169</b>	<b>152.117</b>	<b>952.707</b>	<b>3.712.473</b>	<b>4.599.703</b>	<b>(561.926)</b>	<b>11.154.243</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	278.625	121.181	747.445	2.798.639	3.841.923	(669.083)	7.118.730
Money Market Borrowings	1.501.255	2.168	779	-	-	(1.574)	1.502.628
Funds	9.745	-	-	-	-	-	9.745
<b>Total</b>	<b>1.789.625</b>	<b>123.349</b>	<b>748.224</b>	<b>2.798.639</b>	<b>3.841.923</b>	<b>(670.657)</b>	<b>8.631.103</b>

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	629.600	386.582	194.122	2.074.156	473.557	3.498	3.761.515
Forward Contracts	7.968	450.195	139.141	-	-	-	597.304
Futures Transactions	-	-	-	-	-	-	-
Options	135.566	130.116	301.372	237.706	-	-	804.760
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>773.134</b>	<b>966.893</b>	<b>634.635</b>	<b>2.311.862</b>	<b>473.557</b>	<b>3.498</b>	<b>5.163.579</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
Swap Contracts	671.556	52.367	27.067	1.010.853	587.097	3.366	2.352.306
Forward Contracts	144.684	57.219	273.614	-	-	-	475.517
Futures Transactions	-	-	-	-	-	-	-
Options	61.286	27.678	30.726	31.199	-	-	150.889
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>877.526</b>	<b>137.264</b>	<b>331.407</b>	<b>1.042.052</b>	<b>587.097</b>	<b>3.366</b>	<b>2.978.712</b>

#### IX. Explanations related to consolidated securitization positions

None.

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to consolidated credit risk mitigation techniques

Offsetting is not used as a credit risk mitigation technique. In assessments within the scope of credit risk mitigation techniques, using methods in regard to valuation and management of collaterals are realized in parallel with communiqué relating to Credit Risk Mitigation Techniques. Financial collaterals are evaluated on a daily basis in the Parent Bank. Depending on the comprehensive financial collateral approach, risk mitigating effects of the collaterals are considered through the standard volatility adjustments. Value of the real estates subject to the collateral is determined at least once a year for commercial real estates and determined at least triennially for residential real estates. In the cases that significant changes in market conditions appear, the review is carried out at more frequent intervals. Within the communiqué, as a matter of credit risk mitigation techniques, only residences and commercial real estates (Warehouse, School, Hospital, Office and Store) which are not used for production purposes and can provide rental income are taken into consideration. In addition, land, field and orchard lands are also considered within same concept. Value of the real estates is assessed by the real estate appraisal companies, which are included in the list to provide valuation service by the CMB. Within the credit risk mitigation techniques, major collaterals that can be used by the Parent Bank are financial collaterals (Treasury Bills, Government Bonds, Cash, Deposit Pledges, Gold, Stock Pledges), guarantees and mortgages. As of 31 December 2013, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used. As of 31 December 2013, risk amounts which credit risk mitigation techniques are used are shown below the table according to risk types.

*Collaterals which are grouped according to risk types*

Current Period				
Risk Types	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	3.145.346	221.426	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	9.660	40	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	1.593	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	3.953.729	1.329.327	-	-
Contingent and Non-Contingent Claims on Corporates	11.652.551	40.185	-	11.168
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	315.648	-	-	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	48	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	92.833	-	-	-
Other Claims	388.606	44.401	-	-
<b>Total</b>	<b>19.563.014</b>	<b>1.635.379</b>	<b>-</b>	<b>11.168</b>

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



Türkiye Sınai Kalkınma Bankası A.Ş.

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Collaterals which are grouped according to risk types (Continued)

Prior Period				
Risk Types	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	830.423	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	26.419	4.632	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.599.335	166.497	-	-
Contingent and Non-Contingent Claims on Corporates	9.072.669	74.212	-	24.756
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	236.926	79.675	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	-	1.078	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	16	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	205.611	104.934	-	-
Other Claims	342.485	-	-	-
<b>Total</b>	<b>15.920.800</b>	<b>1.260.373</b>	<b>1.078</b>	<b>24.756</b>

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

##### Main guarantors and their credibility

Main Guarantors <sup>(*)</sup>	Fitch Rating
Alternatif Bank A.Ş.	BBB
Bank Pozitif Kredi Ve Kalkınma Bankası A.Ş.	BBB-
Denizbank A.Ş.	BBB-
Şekerbank T.A.Ş.	BB-
T. İş Bankası A.Ş.	BBB
T.Garanti Bankası A.Ş.	BBB
TC Ziraat Bankası A.Ş.	BBB-
Tekstil Bankası A.Ş.	B+
Yapı Ve Kredi Bankası A.Ş.	BBB

(\*) Guarantors have risk mitigation effect on 31 December 2013 capital adequacy computation.



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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### XI. Explanations related to consolidated risk management objective and policies

The purpose of the risk management system is to provide identifying, measuring, reporting, monitoring and controlling the risk exposure on both unconsolidated and consolidated basis, through the policies determined related to controlling the risk-return structure of future cash flows of the Bank and observing, controlling, changing if needed, application procedures, limits and policies and determine the objectives to be achieved through the internal capital adequacy assessment process. In this context, "TSKB Risk Management Policies" and "TSKB Capital Adequacy Policies" are prepared and has become effective following the approval of the Board of Directors.

The Board of Directors of the Bank determine and regularly review the risk level that the Bank is willing to bear to achieve its objectives, considering the risk capacity of Parent Bank.

Risk management process organized within the framework of risk management regulations and served to create a common risk culture throughout the Bank, is in a structure that these risks are described in line with the international regulations and are measuring, analyzing, following, monitoring and reporting within this framework. Within the framework of the mentioned structure, Bank's Risk Management, continues to activities depending on the Audit Committee, which is established to help the audit and monitoring activities of the Board of Directors in accordance with Banking Law No: 5411 and "Regulation on Internal Systems of Banks" communiqué of Banking Regulation and Supervision Agency. Risk Management is responsible for preparing risk management strategies and policies followed by the Parent Bank, implementation, identification, measurement, monitoring, analysis, evaluation and reporting of risk management system activities.

Risk Management monitors the compliance of the risks in line with the Bank's policies and standards and limits, and determines violations, analyzes the size of the risk by developing various scenarios, develops and integrates systems providing measuring, monitoring and reporting the risks.

Within the scope of "TSKB Risk Management Policies" the Bank is mainly exposed to credit risk, market risk, operational risk, currency risk, interest rate risk and liquidity risk.

##### *Credit risk management policy*

Credit risk is the possibility of incurring losses due to the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations.

At Parent Bank, the purpose of credit risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Although the largest and most visible source for credit risk is the loans that the Bank grants, other banking services regarding the counterparty risk also bear credit risk. In this context, all of the banking activities are assessed within the scope of credit risk.

Credit risk is measured and managed considering the maturity structure of the credit, contractual provisions of the credit and financial conditions, the risk profile structure until the end of the maturity parallel with the possible market conditions, guarantees and collaterals, internal risk ratings and the possible changes in the process of risk exposure, the concentrations (a single company, associated group of companies, industry, country, etc.) and compliance with limits determined by the Board of Directors in order to prevent these concentrations. For measuring credit risk, Internal Rating-Based Model is used in order to monitor, control and provide early warning for credit risk of the Parent Bank.

Maximum effort is expended for the fact that the limits and policies of the external and internal agreements are not so far from the limits and policies of the Parent Bank. The articles in the agreements are compelling even if they are different from existing Bank policies.

In credit risk mitigation policies and procedures, it is considered whether the total amount of credit risk mitigation tool should be taken into account is appropriate or not, also it is controlled whether the protection provided by the credit risk mitigation instruments is in compliance with the capital adequacy level. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of credit risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with credit risk by the Parent Bank's Risk Management.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### *Market risk management policy and currency risk management policy*

Market risk is the possibility of loss that the Bank may face, in the trading book portfolio and in its on-and off-balance sheet positions arising from movements in market prices. Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors. The purpose of market risk management is to maximize the risk adjusted return of the Parent Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Market risk is managed by using consistent risk measurement criteria such as fluctuation level of interest rate and/or price fluctuations and Value-at-Risk (VaR) Methods calculations, by establishing proper procedures for performing such controls and observing compliance with determined risk limits, by investigating sources of risk, learning risk and providing consistent information related with market risk to level of organizations within organization structure.

Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors and in order to control these risks vigorously and it is essential that money and capital market transactions should be "well-diversified" considering the level of risk created in terms of parameters such as maturity, currency, interest rate and other similar parameters. In addition, credit worthiness of issuers of financial instruments creating market risk is strongly taken into account. In the calculation of the market risk, the Parent Bank uses two basic approaches, BRSA Standard Method and Value at Risk (VaR) approach. The accuracy of the VaR model is sustained by applying the retrospective tests (back testing). The test mentioned is based on the comparison of calculated Value at Risk and actual losses. In addition stress tests are applied to determine the effects of the events whose probability of occurrence is low; however, loss level is high on Value at Risk. Currency risk management is measured and monitored by using the VaR model.

The Parent Bank's Risk Management actively involved in measurement, analysis and monitoring process of market risk and currency risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with market risk by the Parent Bank's Risk Management.

##### *Operational risk management policy*

Operational risk is defined as the risk of loss due to the insufficiency of the processes, the people and the systems or defects or errors on them and external events, and compliance with laws and ethical standards are also included in this definition. These risks are managed by fulfilling special controls of the basic functional areas of the Bank's operations, establishing mechanism distributing appropriate internal audit system and authorization required by this system within the Parent Bank and by applying detailed testing and control of the Bank's all operating systems and by providing full harmony between internal and external systems and opportunity of independent data backup facility.

The Bank applies the principles of separation of duties and distribution of functions in order to reduce the risk of deliberate actions, manipulations or errors. The minimum functions that have to be separated are identified as (i) starting the process (ii) authorisation and approving, (iii) recording the process (iv) confirming the process, (v) safe custody services, (vi) monitoring and auditing, (vii) developing IT systems and activities for daily operations. The transaction information has to be recorded to the system by using IT applications at once the transactions have been completed. Measurement of operational risks carried out by the implementation of Basel II "Basic Indicator Approach" methods. Bank's Risk Management actively involved in the measurement, analysis and monitoring process of operational risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with operational risk by the Parent Bank's Risk Management.

##### *Structural interest rate risk management policy*

Structural interest rate risk is the risk of possible changes in interest rates affecting the capital of bank due to re-pricing period of interest bearing assets and liabilities banking books of the Bank and the differences at interest structuring. Structural interest rate risk is managed by providing consistent information related to structural interest rate risk to all the organization stages by using the risk measurement and criteria like the level of fluctuation in interest rates, interest shock and stress test calculations. Maturity mismatches concerning the repricing in predetermined buckets and currency mismatches of asset and liabilities are monitored and measured. Bank manages the interest rate risk by being aware of that it threatens the income, capital, liquidity and reputation of the Bank and it comprises of repricing risk, yield curve risk, basis risk, spread risk and option risk.

The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of structural interest rate risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with interest rate risk by the Risk Management.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### Liquidity risk management policy

Liquidity risk is the risk of not meeting the balance sheet and off-balance sheet liabilities on time. Liquidity risk is also the possibility of loss that the Bank may face, when there is not sufficient cash or cash inflow to meet the cash outflow in full and in time. There are two risks as funding liquidity risk in capital markets and purchase/sales operations and market liquidity risk in which funding liquidity risk is the risk that investment and funding requirements cannot be met on time or at a reasonable cost due to the incompatibilities in cash flows.

The market liquidity risk is that no long position can be taken on time or at a reasonable cost due to the markets are not so deep, disruption and the bank cannot enter the markets easily.

It is essential to evaluate the diversification of opportunities on the basis of maturities with maximum extent in order to ensure the efficiency of liquidity management and maintain a sustainable situation. In liquidity risk management, a portfolio structure matched with the functions of generating profit from portfolio and market risk management and risk-return trade-off is constantly monitored without compromising of liquidity requirements.

Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of liquidity risk and regular reporting is provided to the Board of Directors, the Audit Committee, top management and other departments related with liquidity risk by the Risk Management.

#### XII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the consolidated financial statements of the Group.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>12.448.028</b>	<b>10.146.187</b>	<b>12.595.443</b>	<b>10.201.695</b>
Money Market Placements	50	199	50	199
Banks	421.304	440.075	421.304	440.075
Available-For-Sale Financial Assets	2.973.058	2.882.262	2.973.058	2.882.262
Held-To-Maturity Investments	-	-	-	-
Loans (*)	9.053.616	6.823.651	9.201.031	6.879.159
<b>Financial Liabilities</b>	<b>11.183.723</b>	<b>7.231.560</b>	<b>11.183.723</b>	<b>7.231.560</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	11.093.954	7.118.730	11.093.954	7.118.730
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	89.769	112.830	89.769	112.830

(\*) Loans include financial lease receivables.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);

c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets held for Trading	19.561	40.687	-
Financial Assets Available For Sale	2.125.024	807.834	40.200
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	57.857	-
<b>Prior Period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
<b>Financial Assets</b>			
Financial Assets held for Trading	17.926	23.243	-
Financial Assets Available For Sale	2.200.145	660.362	21.755
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	20.997	-

#### XIII. Explanations related to transactions made on behalf of others and fiduciary transactions

The Parent Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Parent Bank does not deal with fiduciary transactions.

### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations and disclosures related to the consolidated assets

###### 1.a Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	107	-	137	113
Balances with the Central Bank of Turkey	42.069	302.864	25.328	107.088
Other	-	-	-	-
<b>Total</b>	<b>42.176</b>	<b>302.864</b>	<b>25.465</b>	<b>107.201</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 1.b Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	42.069	36.086	25.328	2.470
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	266.778	-	104.618
<b>Total</b>	<b>42.069</b>	<b>302.864</b>	<b>25.328</b>	<b>107.088</b>

(\*) Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, nr. 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2013 are presented in table below:

	Foreign Currency Liabilities Required Reserve Rates (%)	Turkish Lira Liabilities Required Reserve Rates (%)
Other liabilities up to 1 year maturity (including 1 year)	13,0	11,5
Other liabilities up to 3 years maturity (including 3 years)	11,0	8,0
Other liabilities longer than 3 years maturity	6,0	5,0

##### 2.a Information on financial assets at fair value through profit and loss

###### 2.a.1 Trading securities:

###### 2.a.1.a Trading securities given as collateral or blocked:

As of the reporting date, the Group's trading securities given as collateral or blocked amounted to TL 8.674 (31 December 2012: TL 7.973).

###### 2.a.1.b Trading securities subject to repurchase agreements:

As of the reporting date, the Group has no trading securities subject to repurchase agreements (31 December 2012: TL 199).

###### 2.a.2 Information on financial assets designated at fair value through profit and loss:

###### 2.a.2.a Information on financial assets designated at fair value through profit and loss given as collateral or blocked:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blocked (31 December 2012: None).

###### 2.a.2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2.b Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative instruments held for trading				
Forward Transactions	2.678	118	1.792	1.188
Swap Transactions	3.977	11.712	4.351	15.479
Futures Transactions	-	-	-	-
Options	-	22.202	-	433
Other	-	-	-	-
<b>Total</b>	<b>6.655</b>	<b>34.032</b>	<b>6.143</b>	<b>17.100</b>

#### 3. Information on banks and foreign bank accounts

##### 3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	9.971	405.770	377.261	28.899
Foreign	-	5.563	-	33.915
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>9.971</b>	<b>411.333</b>	<b>377.261</b>	<b>62.814</b>

##### 3.b Information on banks and foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1.912	2.839	-	-
USA, Canada	2.523	30.950	-	-
OECD Countries (*)	1.128	126	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>5.563</b>	<b>33.915</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

#### 4. Information on financial assets available-for-sale

##### 4.a.1 Financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1.497.803	-	1.021.262	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	243.128	-	293.720
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.497.803</b>	<b>243.128</b>	<b>1.021.262</b>	<b>293.720</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 4.a.2 Information on financial assets available-for-sale given as collateral or blocked:

All financial assets available for sale given as collateral comprise of financial assets are issued by the Turkish Treasury. The carrying value of those assets is TL 154.631 (31 December 2012: TL 463.362).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	154.631	-	463.362	-
Other	-	-	-	-
<b>Total</b>	<b>154.631</b>	<b>-</b>	<b>463.362</b>	<b>-</b>

##### 4.b Major types of available for sale financial assets:

Available for sale financial assets comprise government bonds 67,15%, Eurobonds 11,19%, and shares and other securities 21,66% (31 December 2012: government bonds 73,81%, Eurobonds 11,89% and shares and other securities 14,30%).

##### 4.c Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	2.930.864	2.846.275
Quoted on a stock exchange	2.553.421	2.396.908
Unquoted	377.443	449.367
Share certificates	65.157	48.510
Quoted on a stock exchange	10.828	16.872
Unquoted	54.329	31.638
Impairment provision(-)	(22.963)	(12.523)
<b>Total</b>	<b>2.973.058</b>	<b>2.882.262</b>

Net book value of unquoted available for sale share certificates is TL 40.200 (31 December 2012: TL 21.755).

### 5. Information on loans

#### 5.a Information on all types of loans and advances given to shareholders and employees of the Parent Bank:

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	112.840	117.413	107.017	117.413
Corporate shareholders	112.840	117.413	107.017	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	174	-	168	-
<b>Total</b>	<b>113.014</b>	<b>117.413</b>	<b>107.185</b>	<b>117.413</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Current Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
<b>Cash Loans</b>						
Non-specialized loans	8.862.548	-	-	133.551	106.575	-
Corporation loans	2.489.462	-	-	6.032	6.032	-
Export loans	148.074	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.237.796	-	-	-	-	-
Consumer loans	174	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	4.987.042	-	-	127.519	100.543	-
Specialized loans	-	-	-	-	-	-
Other receivables	52.999	-	-	-	-	-
<b>Total</b>	<b>8.915.547</b>	-	-	<b>133.551</b>	<b>106.575</b>	-

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
<b>Cash Loans</b>						
Non-specialized loans	6.785.248	-	-	28.971	-	-
Corporation loans	1.765.771	-	-	11.418	-	-
Export loans	112.795	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	845.855	-	-	-	-	-
Consumer loans	168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	4.060.659	-	-	17.553	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>6.785.248</b>	-	-	<b>28.971</b>	-	-

(\*) The Parent Bank's finance lease receivables are TL 9.432 and TL 995 of the finance lease receivables are closely monitored.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Current Period		
Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	-	106.575
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Prior Period		
Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	-	-
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Current Period		
The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	-
6 Months - 12 Months	-	89.987
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	16.588
Prior Period		
The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	-

In relation to the disclosure of changing the conditions of the payment plans of loans, which are followed under standard loans and other receivables and loans and receivables under close monitoring subsequent to the change in the regulation on "Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 27947 dated 28 May 2011; the Parent Bank has provided general loan loss provision at a rate of 5% for four loan customer which is followed under close monitoring loans and other receivables and which have been extended more than 1 year.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.c Maturity analysis of cash loans:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract	Loans and Other Receivables (Total)	Amendments on Conditions of Contract
<b>Current Period</b>				
Short-term loans and other receivables	639.816	-	-	-
Non-specialized loans	639.816	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	8.275.731	-	133.551	106.575
Non-specialized loans	8.275.731	-	133.551	106.575
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Prior Period</b>				
Short-term loans and other receivables	329.316	-	6.330	-
Non-specialized loans	329.316	-	6.330	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	6.455.932	-	22.641	-
Non-specialized loans	6.455.932	-	22.641	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	122	52	174
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	122	52	174
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>122</b>	<b>52</b>	<b>174</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	147	21	168
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	147	21	168
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>147</b>	<b>21</b>	<b>168</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.e Information on commercial loans with instalments and corporate credit cards:

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2012: None).

##### 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	5.366	-
Private	9.043.732	6.814.219
<b>Total</b>	<b>9.049.098</b>	<b>6.814.219</b>

##### 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	8.999.954	6.789.024
Foreign Loans	49.144	25.195
<b>Total</b>	<b>9.049.098</b>	<b>6.814.219</b>

##### 5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	85.560	83.374
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>85.560</b>	<b>83.374</b>

##### 5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	17.327	59
Loans and receivables with doubtful collectability	6.378	5.316
Uncollectible loans and receivables	13.681	10.249
<b>Total</b>	<b>37.386</b>	<b>15.624</b>

The Parent Bank allocates 100 % provision for all non-performing loans regardless of the collaterals.

##### 5.j Information on non-performing loans (net):

###### 5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	-	9.515
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	9.515
<b>Prior Period</b>			
(Gross amounts before provisions)	-	5.315	4.420
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.315	4.420

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.j.2 Movement of non-performing loans:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Prior Period End Balance</b>	<b>59</b>	<b>5.316</b>	<b>10.249</b>
Additions (+)	23.642	46	339
Transfers from Other Categories of Non-performing Loans (+)	-	6.374	5.358
Transfers to Other Categories of Non-performing Loans (-)	(6.374)	(5.358)	-
Collections (-)	-	-	(2.078)
Write-offs (-)	-	-	(187)
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	(187)
<b>Current Period Ending Balance</b>	<b>17.327</b>	<b>6.378</b>	<b>13.681</b>
Specific Provisions (-)	(17.327)	(6.378)	(13.681)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Prior Period</b>			
<b>Prior Period End Balance</b>	<b>5.313</b>	<b>5.978</b>	<b>16.407</b>
Additions (+)	59	1	553
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-) <sup>(*)</sup>	(5.313)	(663)	(6.681)
Write-offs (-)	-	-	(30)
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	(30)
<b>Current Period Ending Balance</b>	<b>59</b>	<b>5.316</b>	<b>10.249</b>
Specific Provisions (-)	(59)	(5.316)	(10.249)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Collections" line.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	15.099	-	5.374
Specific Provision (-)	(15.099)	-	(5.374)
<b>Net Balance on Balance Sheet</b>	-	-	-
<b>Prior Period</b>			
Period End Balance	56	5.314	82
Specific Provision (-)	(56)	(5.314)	(82)
<b>Net Balance on Balance Sheet</b>	-	-	-

##### 5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	17.327	6.378	13.669
Specific Provision Amount (-)	(17.327)	(6.378)	(13.669)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	12
Specific Provision Amount (-)	-	-	(12)
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	59	5.316	9.836
Specific Provision Amount (-)	(59)	(5.316)	(9.836)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	413
Specific Provision Amount (-)	-	-	(413)
Other Loans and Receivables (Net)	-	-	-

##### 5.k Main principles of liquidating non performing loans and receivables:

If there are collaterals received complying Article 9 of the Communiqué regarding "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", these collaterals are converted into cash immediately using either administrative or legal procedures in order to collect those receivables. In cases of no collaterals, several financial investigations are made to determine whether any property holdings are subsequently acquired by applying legal procedures, even if there is evidence of insolvency for the debtor. Before and after the beginning of the liquidation process; the Parent Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Parent Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economical environment in the future; the Parent Bank management tries to make the collection through rescheduling the payment terms.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5.l Explanations about the write-off policies from the assets:

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

##### 5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired loans	7.311.914	1.684.011	174	52.999	9.049.098
Past due not impaired loans	-	-	-	-	-
Individually impaired loans	12.352	23.901	-	1.133	37.386
<b>Total</b>	<b>7.324.266</b>	<b>1.707.912</b>	<b>174</b>	<b>54.132</b>	<b>9.086.484</b>
Less: allowance for individually impaired loans (-)	(12.352)	(23.901)	-	(1.133)	(37.386)
<b>Total allowance for impairment</b>	<b>(12.352)</b>	<b>(23.901)</b>	<b>-</b>	<b>(1.133)</b>	<b>(37.386)</b>
<b>Total Net</b>	<b>7.311.914</b>	<b>1.684.011</b>	<b>174</b>	<b>52.999</b>	<b>9.049.098</b>
Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired loans	5.165.193	1.613.950	168	33.923	6.813.234
Past due not impaired loans	-	985	-	-	985
Individually impaired loans	7.288	6.900	-	1.436	15.624
<b>Total</b>	<b>5.172.481</b>	<b>1.621.835</b>	<b>168</b>	<b>35.359</b>	<b>6.829.843</b>
Less: allowance for individually impaired loans (-)	(7.288)	(6.900)	-	(1.436)	(15.624)
<b>Total allowance for impairment</b>	<b>(7.288)</b>	<b>(6.900)</b>	<b>-</b>	<b>(1.436)</b>	<b>(15.624)</b>
<b>Total Net</b>	<b>5.165.193</b>	<b>1.614.935</b>	<b>168</b>	<b>33.923</b>	<b>6.814.219</b>



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of the allowance for impairment losses and advances by classes is as follows:

	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2013</b>	<b>(7.288)</b>	<b>(6.900)</b>	-	<b>(1.436)</b>	<b>(15.624)</b>
Charge for the year	(6.453)	(17.301)	-	(273)	(24.027)
Recoveries	976	300	-	802	2.078
Amounts written off	-	-	-	187	187
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2013</b>	<b>(12.352)</b>	<b>(23.901)</b>	-	<b>(1.133)</b>	<b>(37.386)</b>
	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2012</b>	<b>(13.014)</b>	<b>(13.236)</b>	-	<b>(1.448)</b>	<b>(27.698)</b>
Charge for the year	(125)	(62)	-	(426)	(613)
Recoveries <sup>(*)</sup>	5.851	6.398	-	408	12.657
Amounts written off	-	-	-	30	30
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2012</b>	<b>(7.288)</b>	<b>(6.900)</b>	-	<b>(1.436)</b>	<b>(15.624)</b>

<sup>(\*)</sup> Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Recoveries" line.

A breakdown of the allowance for impairment losses is given below;

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(12.352)	(23.901)	-	(1.133)	(37.386)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	12.352	23.901	-	1.133	37.386
Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(7.288)	(6.900)	-	(1.436)	(15.624)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	7.288	6.900	-	1.436	15.624

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
<b>At 1 January</b>	<b>15.624</b>	<b>27.698</b>
Charge for the year	24.027	613
Recoveries	(2.078)	(12.657)
Amounts written off	(187)	(30)
Interest accrued on impaired loans and other receivables	-	-
<b>At 31 December</b>	<b>37.386</b>	<b>15.624</b>
Individual impairment	(37.386)	(15.624)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	37.386	15.624

Aging analysis of past due but not impaired financial assets per class of financial statements:

Current Period	Less than 30 Days	31- 60 Days	61- 90 Days	Over 91 Days	Total
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	985	-	-	-	985
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>985</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Of the total aggregate amount of gross past due but not yet impaired loans and other receivables, the fair value of collaterals, capped with the respective outstanding loan balance as of are shown below:

	Current Period	Prior Period
Residential, commercial and industrial property	-	985
Financial assets	-	-
Other (bailment, pledge and charge on ship and vehicle)	-	-
<b>Total</b>	<b>-</b>	<b>985</b>

Loans and other receivables amounting to TL 7.799.180 have floating interest rates (31 December 2012: TL 6.184.223) and the remaining TL 1.249.918 have fixed interest rates (31 December 2012: TL 629.996).

#### 6. Information on held-to-maturity investments

As of the reporting date, the Group has no held-to-maturity investments.(31 December 2012: None).

#### 7. Information on investments in associates (net):

7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:

Unconsolidated non-financial associates are valued at cost.

#### 7.a.2 Information on unconsolidated associates:

	Title	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	İstanbul/Türkiye	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	İzmir/Türkiye	10,00	20,00

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks".

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
Terme (*)	13.764	3.715	563	239	-	197	230	-
Ege Tarım (*)	11.346	11.265	9.102	65	-	(1.210)	(353)	-

(\*) Represents for the period ended 30 September 2013 financial statements. Prior year profit/loss is obtained from un-reviewed 30 September 2012 financial statements.

#### Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

#### Information on associates purchased in the current period

The Bank made TL 240 capital commitment with a share of 10% and TL 120 of which was paid to its associate on 31 December 2012, TL 120 was paid on 29 March 2013 as a result of the decision of increasing the share capital of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. from TL 11.152 to 13.552 in the Extraordinary General Meeting dated 22 November 2012.

Türkiye Sınai Kalkınma Bankası A.Ş.

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(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 7.a.3 Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	İstanbul/Türkiye	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	İstanbul/Türkiye	28,56	57,36
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	İstanbul/Türkiye	16,67	57,67

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	971.615	69.461	648	58.840	15	11.944	4.574	-
2	İş Finansal	3.492.581	603.638	2.514	193.803	64	39.589	18.776	115.139
3	İş Girişim	420.681	268.703	84.272	-	-	68.664	68.403	28.772

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>210.046</b>	<b>190.472</b>
Movements During the Period	24.942	19.574
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	31.974	20.271
Sales	-	-
Revaluation Increase	-	(697)
Provision for Impairment	(7.032)	-
<b>Balance at the End of the Period</b>	<b>234.988</b>	<b>210.046</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

#### Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

#### Information on associates purchased in the current period

In the current period the Parent Bank has obtained bonus shares of İş Finansal Kiralama A.Ş. amounting to TL 10.100 with capital increase of TL 35.365 and has obtained bonus shares of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. amounting to TL 1.449 with capital increase of TL 8.694 and has obtained bonus shares of İş Faktoring A.Ş. amounting to TL 5.220 with capital increase of TL 24.000.

#### 7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	30.644	26.348
Leasing Companies	162.817	149.441
Financial Service Companies	-	-
Other Financial Associates	41.527	34.257

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 7.a.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	204.344	183.698
Associates Quoted on Foreign Stock Markets	-	-

#### 8. Information related to subsidiaries (net)

##### 8.a.1 Information related to equity component of subsidiaries:

	YFAŞ Current Period	TSKGYO Current Period
<b>CORE CAPITAL</b>		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.400	5.739
Current and Prior Years' Profit/Loss	5.366	53.671
Leasehold Improvements (-)	(1.665)	-
Intangible Assets (-)	(593)	(6)
<b>Total Core Capital</b>	<b>69.283</b>	<b>209.997</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>1.138</b>	<b>-</b>
<b>CAPITAL</b>	<b>70.421</b>	<b>209.997</b>
<b>NET AVAILABLE CAPITAL</b>	<b>70.421</b>	<b>209.997</b>

	YFAŞ Prior Period	TSKGYO (*) Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.598	5.721
Current and Prior Years' Profit/Loss	827	79.513
Leasehold Improvements (-)	(675)	-
Intangible Assets (-)	(394)	(3)
<b>Total Core Capital</b>	<b>66.131</b>	<b>235.824</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>80</b>	<b>-</b>
<b>CAPITAL</b>	<b>66.211</b>	<b>235.824</b>
<b>NET AVAILABLE CAPITAL</b>	<b>66.211</b>	<b>235.824</b>

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102.

There is no internal capital adequacy assessment approach for the subsidiaries.

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş. and Sürdürülebilir Danışmanlık A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

8.a.3 Information related to unconsolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	İstanbul/Türkiye	99,99	99,99
2	TSKB Gayrimenkul Danışmanlık A.Ş.(TGD A.Ş.)	İstanbul/Türkiye	46,58	100,00
3	Sürdürülebilir Danışmanlık A.Ş.	İstanbul/Türkiye	-	96,00

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	10.972	8.395	1.265	124	-	2.177	2.568	-
2	TGD A.Ş.	559	567	-	-	-	(7)	(215)	-
3	SD A.Ş.	373	333	17	31	-	31	33	-

#### Subsidiaries disposed in the current period

In the current period, the Parent Bank has not disposed any subsidiaries.

#### Subsidiaries purchased in the current period

In the current period, the Parent Bank has not purchased any subsidiaries.

8.a.4 Information related to consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YFAŞ.)	İstanbul/Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	İstanbul/Turkey	59,00	66,84

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
YFAŞ	486.249	73.110	4.226	24.969	803	2.966	2.725	-
TSKB GYO	376.188	208.995	335.483	1.117	-	(26.167)	17.048	66.375

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## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>135.856</b>	<b>118.276</b>
Movements During the Period	(1.770)	17.580
Purchases	-	-
Bonus Shares Obtained	-	7.184
Current Year Shares of Profit	-	-
Sales (*)	-	(6.548)
Revaluation Increase	-	16.944
Provision for Impairment	(1.770)	-
<b>Balance At the End of the Period</b>	<b>134.086</b>	<b>135.856</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*) As of 31 December 2012, TSKB Yatırım Ortaklığı A.Ş. is excluded from subsidiaries due to merger with İş Yatırım Ortaklığı A.Ş.. Cost of TSKB Yatırım Ortaklığı A.Ş. is presented in "Sales" line.

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been eliminated from the accompanying consolidated financial statements.

#### Subsidiaries disposed in the current period

In the current period, the Parent Bank has not disposed any subsidiaries.

#### Subsidiaries purchased in the current period

In the current period, the Parent Bank has not purchased any subsidiaries.

#### 8.a.5 Sectoral information on consolidated subsidiaries and the related carrying amounts in the legal books:

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	134.086	135.856

#### 8.a.6 Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	66.375	68.145
Quoted in Foreign Stock Exchange	-	-

### 9. Information related to entities under common control

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") on 26 May 2011. The main operations of Adana Hotel Project is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret A.Ş. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for TSKB GYO. The nominal paid-in capital of Adana Hotel Project comprises 20.000 shares of TL 1 for each amounting to TL 20 in total. TSKB GYO has paid TL 10 in cash for the 50% ownership in Adana Hotel Project.

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit/Loss	Prior Year Profit/Loss	Fair Value
Adana Hotel Project	27.473	(189)	24.416	-	-	(118)	(91)	-

#### 10. Information on finance lease receivables (net)

##### 10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	4.573	4.518	6.073	5.829
Between 1- 4 years	-	-	3.685	3.603
More than 4 years	-	-	-	-
<b>Total</b>	<b>4.573</b>	<b>4.518</b>	<b>9.758</b>	<b>9.432</b>

##### 10.b The information on net investments in finance leases:

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>4.573</b>	<b>9.758</b>
Unearned revenue from finance leases (-)	(55)	(326)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>4.518</b>	<b>9.432</b>

10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:

Finance lease agreements are made in accordance with the related articles of the Financial Leasing Law No. 3226. There are no restructuring or restrictions having material effect on financial statements.

#### 11. Information on derivative financial assets for hedging purposes

The Group has no derivative financial assets for hedging purposes as of the reporting date (31 December 2012: None).



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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 12. Information on tangible assets (net)

Current Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
<b>Cost</b>					
Land and buildings <sup>(*)</sup>	39.859	31	-	-	39.890
Assets Held under Finance Leases	5.121	-	(666)	-	4.455
Vehicles	1.294	285	(175)	-	1.404
Assets for Resale	1.380	170	(347)	-	1.203
Other	19.476	3.058	(1.051)	-	21.483
<b>Total Cost</b>	<b>67.130</b>	<b>3.544</b>	<b>(2.239)</b>	<b>-</b>	<b>68.435</b>
<b>Accumulated Depreciation</b>					
Land and buildings <sup>(*)</sup>	(20.778)	(891)	-	-	(21.669)
Assets Held under Finance Leases	(4.916)	(58)	666	-	(4.308)
Vehicles	(899)	(220)	175	-	(944)
Assets for Resale	(14)	(7)	4	-	(17)
Other	(16.290)	(1.395)	1.051	-	(16.634)
<b>Total Accumulated Depreciation</b>	<b>(42.897)</b>	<b>(2.571)</b>	<b>1.896</b>	<b>-</b>	<b>(43.572)</b>
<b>Impairment Provision</b>					
Land and buildings <sup>(*)</sup>	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(447)	(19)	-	-	(466)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(447)</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	<b>(466)</b>
<b>Net Book Value</b>	<b>23.786</b>	<b>954</b>	<b>(343)</b>	<b>-</b>	<b>24.397</b>

<sup>(\*)</sup> Land and buildings also include lands and buildings held under finance leases.

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
Cost					
Land and buildings <sup>(*)</sup>	39.433	551	(125)	-	39.859
Assets Held under Finance Leases	5.206	16	(101)	-	5.121
Vehicles	1.313	119	(138)	-	1.294
Assets for Resale	1.440	195	(255)	-	1.380
Other	18.028	1.602	(154)	-	19.476
<b>Total Cost</b>	<b>65.420</b>	<b>2.483</b>	<b>(773)</b>	<b>-</b>	<b>67.130</b>
Accumulated Depreciation					
Land and buildings <sup>(*)</sup>	(19.914)	(864)	-	-	(20.778)
Assets Held under Finance Leases	(4.798)	(219)	101	-	(4.916)
Vehicles	(784)	(217)	102	-	(899)
Assets for Resale	(5)	(9)	-	-	(14)
Other	(15.258)	(1.186)	154	-	(16.290)
<b>Total Accumulated Depreciation</b>	<b>(40.759)</b>	<b>(2.495)</b>	<b>357</b>	<b>-</b>	<b>(42.897)</b>
Impairment Provision					
Land and buildings <sup>(*)</sup>	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(437)	(20)	10	-	(447)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(437)</b>	<b>(20)</b>	<b>10</b>	<b>-</b>	<b>(447)</b>
<b>Net Book Value</b>	<b>24.224</b>	<b>(32)</b>	<b>(406)</b>	<b>-</b>	<b>23.786</b>

<sup>(\*)</sup> Land and buildings also include lands and buildings held under finance leases.

12.a If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:

12.a.1 Events and conditions for recording or reversing impairment:

The Parent Bank recorded 5% impairment provision per year for asset held for sale and tangible assets that are not depreciated.

12.a.2 Amount of recorded or reversed impairment in the financial statements:

The impairment amount recorded as at the reporting date is TL 19 and there is no reversal of impairment (31 December 2012: impairment recorded is TL 20, impairment reversed is TL 10).

12.b The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above. (31 December 2012: None)

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 13. Information on intangible assets

###### 13.a Useful lives and amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

###### 13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

###### 13.c Cost and accumulated amortization at the beginning and end of the period:

	Period Beginning		Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Current Period</b>				
Software	4.457	(3.442)	5.087	(3.843)
Goodwill	1.005	-	1.005	-
	Prior Period Beginning		Prior Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
<b>Prior Period</b>				
Software	3.949	(3.084)	4.457	(3.442)
Goodwill	1.005	-	1.005	-

###### 13.d Movement of cost and accumulated amortization for the period:

	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
<b>Current Period</b>				
Cost				
Software	4.457	630	-	5.087
Goodwill	1.005	-	-	1.005
<b>Total Cost</b>	<b>5.462</b>	<b>630</b>	<b>-</b>	<b>6.092</b>
Accumulated Amortization				
Software	(3.442)	(401)	-	(3.843)
Goodwill	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(3.442)</b>	<b>(401)</b>	<b>-</b>	<b>(3.843)</b>
Impairment Provision	-	-	-	-
Software	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>2.020</b>	<b>229</b>	<b>-</b>	<b>2.249</b>

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	3.949	508	-	4.457
Goodwill	1.005	-	-	1.005
<b>Total Cost</b>	<b>4.954</b>	<b>508</b>	<b>-</b>	<b>5.462</b>
Accumulated Amortization				
Software	(3.084)	(358)	-	(3.442)
Goodwill	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(3.084)</b>	<b>(358)</b>	<b>-</b>	<b>(3.442)</b>
Impairment Provision	-	-	-	-
Software	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.870</b>	<b>150</b>	<b>-</b>	<b>2.020</b>

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2012: None).

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2012: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2012: None).

13.h The book value of intangible assets that are pledged or restricted for use:

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2012: None).

13.i Amount of purchase commitments for intangible assets:

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2012: None).

13.j Information on revalued intangible assets according to their types:

The Group did not revalue its intangible assets as at the reporting date (31 December 2012: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Group has no research and development costs expensed in the current period (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 13.l Information on goodwill:

Goodwill on Consolidation	Effective Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler A.Ş.	95,78	1.005

##### 13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

	Current Period	Prior Period
Net Value at the Beginning of the Period	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
<b>Net Value at the End of Period</b>	<b>1.005</b>	<b>1.005</b>

##### 13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2012: None).

#### 14. Information on investment properties

In the current period, the Group has 3 investment properties with a net book value of TL 222.295 (31 December 2012: TL 240.370) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector.

Investment Properties Movement table as of 31 December 2013 and 31 December 2012 is as below:

Current Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	10.100	-	-	4.220	14.320
Pendorya Mall	211.620	620	(21)	(33.019)	179.200
Adana Hotel Project	18.650	13.063	(386)	(2.552)	28.775
<b>Total</b>	<b>240.370</b>	<b>13.683</b>	<b>(407)</b>	<b>(31.351)</b>	<b>222.295</b>

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	7.360	-	-	2.740	10.100
Pendorya Mall	203.845	6.433	(107)	1.449	211.620
Adana Hotel Project	15.600	4.697	(686)	(961)	18.650
<b>Total</b>	<b>226.805</b>	<b>11.130</b>	<b>(793)</b>	<b>3.228</b>	<b>240.370</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 15. Information on deferred tax assets

###### 15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Group has computed deferred tax asset or liability on "temporary differences" arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

Deferred tax asset:	Current period	Prior period
Loan commissions accrual adjustment	11.771	11.496
Other provisions	10.000	10.775
Marketable securities	96	119
Valuation of derivative instruments	1.712	1.778
Employee benefit provision	3.597	-
Other	459	617
<b>Total Deferred Tax Asset</b>	<b>27.635</b>	<b>24.785</b>
Deferred tax liabilities:		
Marketable securities	(5.510)	(14.703)
Borrowings commissions accrual adjustment	(3.111)	(2.395)
Valuation of derivative instruments	-	(2.004)
Useful life difference of fixed assets	(118)	(40)
<b>Total Deferred Tax Liability</b>	<b>(8.739)</b>	<b>(19.142)</b>
<b>Net Deferred Tax Asset</b>	<b>18.896</b>	<b>5.643</b>

###### 15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

There is no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. (31 December 2012: None).

###### 15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2012: None).

##### 16. Information on assets held for sale:

In the current period, the Group has no assets held for sale (31 December 2012: None).

##### 17. Information about other assets

###### 17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities

##### 1. Information on maturity structure of deposits

###### 1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

###### 1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

###### 1.b Information on the scope whether the bank with a foreign head office suits saving deposit insurance of the related country:

The Parent Bank is not authorized to accept deposits.

###### 1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Parent Bank is not authorized to accept deposits

##### 2. Negative differences table related to derivative financial liabilities held-for-trading

Derivative Financial Liabilities Held For Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	5.782	1.565	1.164
Swap Transactions	7.277	21.950	-	17.901
Futures Transactions	-	-	-	-
Options	-	22.848	-	367
Other	-	-	-	-
<b>Total</b>	<b>7.277</b>	<b>50.580</b>	<b>1.565</b>	<b>19.432</b>

##### 3. Information on banks and other financial institutions

###### 3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	74.275	271.197	142.819	90.711
From Foreign Banks, Institutions and Funds	-	8.779.565	-	6.796.075
<b>Total</b>	<b>74.275</b>	<b>9.050.762</b>	<b>142.819</b>	<b>6.886.786</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	74.275	565.123	142.819	270.665
Medium and long-term	-	8.485.639	-	6.616.121
<b>Total</b>	<b>74.275</b>	<b>9.050.762</b>	<b>142.819</b>	<b>6.886.786</b>

##### 3.c Additional information about the concentrated areas of liabilities:

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1.357.764	22.356	1.016.533	50.613
Financial institutions and organizations	1.332.219	-	941.545	-
Other institutions and organizations	21.828	18.857	38.312	39.977
Real persons	3.717	3.499	36.676	10.636
From Foreign Transactions	896	223.875	794	167.239
Financial institutions and organizations	-	221.878	155	166.710
Other institutions and organizations	2	79	-	-
Real persons	894	1.918	639	529
<b>Total</b>	<b>1.358.660</b>	<b>246.231</b>	<b>1.017.327</b>	<b>217.852</b>

#### 4. Other liabilities which exceed 10 % of the balance sheet total and the breakdown of these which constitute at least 20 % of grand total

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2012: None).

#### 5. Explanations on financial lease obligations (net)

##### 5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2012: TL 6).

##### 5.b Explanations regarding operational leases:

As of the reporting date, head office of one of the Group companies and 15 branches are subject to operational leasing. Additionally, 24 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2012: 1 head office, 14 branches and 30 cars are subject to operational leasing).

##### 5.c Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:

The Group has no sale and lease back transactions as of the reporting date (31 December 2012: None).

#### 6. Information on derivative financial liabilities for hedging purposes

The Group has no derivative financial liabilities for hedging purposes as of reporting date (31 December 2012: None).



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 7. Information on provisions

###### 7.a Information on general loan loss provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>96.583</b>	<b>77.247</b>
I.Provisions for First Group Loans and Receivables	79.294	67.544
- Additional provisions for the loans with extended payment plan	-	-
II.Provisions for Second Group Loans and Receivables	5.868	599
- Additional provisions for the loans with extended payment plan	5.329	-
Provisions for Non-Cash Loans	2.798	2.417
Other	8.623	6.687

###### 7.b Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

As of reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 614 (31 December 2012: TL 8.426). The foreign exchange losses on the foreign currency indexed loans are netted off from the loans in the financial statements.

###### 7.c The specific provisions provided for unindemnified non cash loans:

The Group has TL 2.115 specific provisions provided for unindemnified non cash loans as of the reporting date (31 December 2012: None).

###### 7.d Information related to other provisions:

###### 7.d.1 Provisions for possible losses:

There is no provision for possible losses (31 December 2012: None).

###### 7.d.2 Information on employee termination benefits and unused vacation accrual:

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No:19 and reflected the calculated amount to the financial statements.

As of 31 December 2013, TL 11.948 (31 December 2012: TL 11.295) reserve for employee termination benefits was provided against a total undiscounted liability of TL 7.122 (31 December 2012: TL 7.769). As of 31 December 2013, the Group provided a reserve of TL 1.554 (31 December 2012: TL 1.217) for the unused vacations. This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses occurred after 1 January 2013 are recognised under Shareholder's Equity since 1 January 2013 in accordance with Revised TAS 19.

###### Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2013, the Group has no obligations on pension rights (31 December 2012: None).

###### Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2012: None).

###### Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees

The Parent Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2013 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 24 January 2014, there is no need for technical or actual deficit to book provision as of 31 December 2013.

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accordingly, as of 31 December 2013 the Parent Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.15, the accounting policies related with employee benefits.

7.d.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:

	Current Period	Prior Period
Provision for Lawsuits	-	125
Other <sup>(*)</sup>	50.068	53.815
<b>Total</b>	<b>50.068</b>	<b>53.940</b>

<sup>(\*)</sup> Other provision account includes TL 50.000 of provision for risks on credit portfolio (31 December 2012: TL 50.000).

### 8. Information on taxes payable

#### 8.a Information on current taxes payable:

##### 8.a.1 Information on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable	18.137	-	29.690	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>18.137</b>	<b>-</b>	<b>29.690</b>	<b>-</b>

##### 8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	18.137	29.690
Taxation of Securities	884	1.079
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.942	1.224
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	155	84
Other	1.213	873
<b>Total</b>	<b>22.331</b>	<b>32.950</b>

##### 8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	113	86
Social Security Premiums-Employer	125	91
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	25	22
Unemployment Insurance-Employer	49	45
Other	17	13
<b>Total</b>	<b>329</b>	<b>257</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 8.b Information on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2012: None).

##### 9. Information on liabilities regarding assets held for sale

None (31 December 2012: None).

##### 10. Explanations on the number of subordinated loans the group used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any

The Parent Bank has signed an agreement with the International Finance Corporation, for a subordinated loan of USD 50 Million (TL 106.000 as of 31 December 2013). The interest accrued on this loan is TL 759 as of the reporting date.

The first agreement date of the loan was 21 September 2004. The first usage date was 5 November 2004. The interest rate is variable; at the reporting date it is (0,36+3,00 spread) 3,36%. Principal of the loan will be repaid on 15 October 2016 as a whole.

##### Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	106.759	-	89.125
<b>Total</b>	-	<b>106.759</b>	-	<b>89.125</b>

##### 11. Information on shareholders' equity

##### 11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	1.300.000	1.100.000
Preferred Stock	-	-

##### 11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	1.300.000	2.500.000

##### 11.c Information on share capital increases and their sources; other information on increased capital shares in current period:

In the meeting of the General Assembly held on 26 March 2013, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.100.000 to TL 1.300.000 by TL 200.000. In respect of the resolution of the General Assembly, TL 168.000 of this increase will be incorporated from the profit of the year 2012, TL 32.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 3 May 2013, and has been published in the Turkish Trade Registry Gazette No: 8351 on 27 June 2013.

In the prior period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011. TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

Türkiye Sınai Kalkınma Bankası A.Ş.

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(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 11.d Information on share capital increases from capital reserves:

In the current period there is no share capital increases from capital reserves (31 December 2012: None).

##### 11.e Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2012: None).

##### 11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, the profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Financial Control Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under several different scenario analyses. The Parent Bank operations are profitable and the Parent Bank keeps the major part of its profit by capital increases or capital reserves within the shareholders' equity.

##### 11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2012: None).

##### 11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	(4.582)	-	2.450	-
Valuation Differences	(7.025)	15.648	61.919	69.385
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(11.607)</b>	<b>15.648</b>	<b>64.369</b>	<b>69.385</b>

##### 11.i Information on legal reserves:

	Current Period	Prior Period
First legal reserve	77.684	62.321
Second legal reserve	80.707	62.678
Other Legal Reserves Appropriated In Accordance with Special Legislation	53	53
<b>Total</b>	<b>158.444</b>	<b>125.052</b>

##### 11.j Information on extraordinary reserves:

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	24.993	7.544
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
<b>Total</b>	<b>24.993</b>	<b>7.544</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 11.k Explanations related to equity:

Movement of equity reserves during the period:

Current Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As of 1 January	131.304	2.450	35.157	374	169.285
Value increase/decrease of available for sale investments recognized directly under equity	(159.235)	(7.032)	-	-	(166.267)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	6.423	-	-	-	6.423
Tax effect of gains on available for sale investments	30.131	-	-	-	30.131
Other <sup>(*)</sup>	-	-	(26.237)	-	(26.237)
As of 31 December	8.623	(4.582)	8.920	374	13.335

<sup>(\*)</sup> In the current period, according to the article 5-(I)/e of the Turkish Corporate Tax Code No. 5520, 75% of the gain on sale of the building amounting to TL 2.856 in the tax purpose financial statements amounting to TL 2.142 is exempt from corporate income tax and for the five years following 2012, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Parent Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences " accounts.

Prior Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As at 1 January	14.480	2.680	31.174	374	48.708
Value increase/decrease of available for sale investments recognized directly under equity	145.633	(230)	-	-	145.403
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(756)	-	-	-	(756)
Tax effect of gains on available for sale investments	(28.053)	-	-	-	(28.053)
Other <sup>(*)</sup>	-	-	3.983	-	3.983
As at 31 December	131.304	2.450	35.157	374	169.285

<sup>(\*)</sup> In the prior period, according to the article 5-(I)/e of the Turkish Corporate Tax Code No. 5520, 75% of the gain on sale of the building amounting to TL 5.311 in the tax purpose financial statements amounting to TL 3.983 is exempt from corporate income tax and for the five years following 2011, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Parent Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences " account.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 12. Information on minority shares:

	Current Period	Prior Period
Paid-in-Capital	54.310	54.310
Other Capital Reserves	33	33
Share Premium	205	205
Securities Value Increase Fund	2	15
Legal Reserves	109	109
Extraordinary Reserves	2.061	2.061
Other Profit Reserves	(2)	-
Retained Earnings/Accumulated Losses	27.540	19.399
Net Profit or Loss	(8.736)	8.141
<b>Total</b>	<b>75.522</b>	<b>84.273</b>

### III. Explanations related to the consolidated off-balance sheet contingencies and commitments

#### 1. Information on off-balance sheet liabilities

##### 1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	511.345	10.175
Commitments for Money Market Brokerage Purchase and Sales	84.167	-
Commitments for Use Guaranteed Credit Allocation	4.805	4.007
Commitments for Stock Brokerage Purchase and Sales	468.176	135.666
Commitments for Letter of Credit	344.115	338.675
Commitments from Forward Short Term Borrowing and Transfers	46.740	-
Other	1.593	120
<b>Total</b>	<b>1.460.941</b>	<b>488.643</b>

##### 1.b Possible losses and commitments related to off-balance sheet items including items listed below:

###### 1.b.1 Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits

As of the reporting date, total letter of credits is TL 438.033 (31 December 2012: TL 572.564).

###### 1.b.2 Guarantees, surety ships, and similar transactions

As of the reporting date, total letters of guarantee is TL 1.015.387 (31 December 2012: TL 635.768).

##### 1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	-	-
With Maturity of One Year or Less than One Year	-	-
With Maturity of More than One Year	-	-
Other Non-Cash Loans	1.453.420	1.212.557
<b>Total</b>	<b>1.453.420</b>	<b>1.212.557</b>

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 1.c.2 Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	375.344	74	849.991	90	160.031	55	668.187	72
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	6.049	1	238.496	25	4.393	1	286.673	31
Electricity, Gas, Water	369.295	73	611.495	65	155.638	54	381.514	41
Construction	12.206	3	5.845	1	4.285	2	4.665	1
Services	118.371	23	91.663	9	122.439	42	248.950	27
Wholesale and Retail Trade	-	-	-	-	-	-	182.048	20
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	11.449	1	-	-	-	-
Financial Institutions	117.734	23	79.668	8	121.959	42	66.434	7
Real Estate and Leasing Services	637	-	546	-	480	-	468	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	4.000	1	-	-
<b>Total</b>	<b>505.921</b>	<b>100</b>	<b>947.499</b>	<b>100</b>	<b>290.755</b>	<b>100</b>	<b>921.802</b>	<b>100</b>

##### 1.c.3 Information on Ist and IInd group non-cash loans:

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	499.681	941.101	290.755	921.802	5.740	2.668	-	-
Letters of Guarantee	499.681	509.466	286.530	349.238	5.740	-	-	-
Bank Acceptances	-	-	-	-	-	-	-	-
Letters of Credit	-	431.635	-	572.564	-	2.668	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	4.225	-	-	-	-	-

The Bank has specific provisions amounting to TL 2.115 (31 December 2012: None) provided for unindemnified and non cash loans amounting to TL 4.230 which are followed under off-balance sheet items as of the reporting date (31 December 2012: None).

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	2.635.069	1.301.638
Forward transactions	597.304	475.517
Swap transactions	1.251.495	706.432
Futures transactions	-	-
Option transactions	786.270	119.689
Interest related derivative transactions (II)	2.528.510	1.677.074
Interest rate swap transactions	2.510.020	1.645.874
Interest option transactions	18.490	31.200
Futures interest transactions	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	5.163.579	2.978.712
Types of hedging transactions	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>5.163.579</b>	<b>2.978.712</b>

As of 31 December 2013, the breakdown of the Group's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
<b>Current Period</b>										
TL	213.289	19.461	220.342	57.746	187.344	183.644	-	-	-	-
US Dollar	29.902	29.750	911.530	1.214.686	125.176	117.884	-	-	-	-
Euro	39.032	241.354	743.735	608.878	89.511	101.201	-	-	-	-
Other	12.258	12.258	2.300	2.298	-	-	-	-	-	-
<b>Total</b>	<b>294.481</b>	<b>302.823</b>	<b>1.877.907</b>	<b>1.883.608</b>	<b>402.031</b>	<b>402.729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>										
TL	55.432	55.189	37.968	14.070	15.734	15.734	-	-	-	-
US Dollar	63.778	63.756	547.368	826.694	40.631	20.069	-	-	-	-
Euro	118.678	118.684	593.050	332.263	18.865	39.856	-	-	-	-
Other	-	-	893	-	-	-	-	-	-	-
<b>Total</b>	<b>237.888</b>	<b>237.629</b>	<b>1.179.279</b>	<b>1.173.027</b>	<b>75.230</b>	<b>75.659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Contractual Derivative Transactions TL Amount	Fair value assets	Fair value liabilities	Contractual Derivative Transactions TL Amount
Swap Transactions	6.230	(13.165)	1.251.495	4.518	(356)	706.432
Interest Rate Swap Transactions	9.459	(10.355)	2.510.020	15.312	(17.546)	1.645.874
Forward Transactions	2.796	(11.489)	597.304	2.980	(2.729)	475.517
Futures Transactions	-	-	-	-	-	-
Option Transactions	22.202	(22.848)	804.760	433	(366)	150.889
Other	-	-	-	-	-	-
<b>Total</b>	<b>40.687</b>	<b>(57.857)</b>	<b>5.163.579</b>	<b>23.243</b>	<b>(20.997)</b>	<b>2.978.712</b>

#### Fair value hedges

For the year ended 31 December 2013 the Group does not have any items under hedge accounting (31 December 2012: None).

#### Hedging from the cash-flow risk

As of 31 December 2013 there is no cash-flow hedging transactions (31 December 2012: None).

#### 3. Explanations on loan derivatives and risk exposures

The Group has no loan derivatives and such risk exposures to this respect (31 December 2012: None).

#### 4. Explanations on contingent liabilities and assets

There are 22 legal cases against the Group which are amounting to TL 855 as of the reporting date (31 December 2012: TL 964, 29 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Parent bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Parent Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay shouldn't deduct from the basis of fee, accordingly tax audit report organized with a claim that it should be taken penalized income tax stoppage/penalized stamp duty deducted from allowance and as of reporting date total amount of TL 17,325 tax and tax penalty notice relating to period in question to Parent Bank relying on this report. The Parent Bank assesses that the Parent Bank's practice is in compliance with the legislation and there is no legal basis for the tax administration's suspended assessments, therefore, there is no need for provision. The Parent Bank has used the legal rights for that assessment. No provision has been provided as of the reporting date.

There is a lawsuit for the cancellation of the licence of construction dated 16 July 2008 numbered 1120 given for the Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 and related zoning plan dated 6 November 2007 scaled 1/1000 and for motion for stay of execution against Pendik Municipality. TSKB GYO is also involved in the instant case and İstanbul 9th Administrative Court ordered the cancellation of the licence and zoning plan with a right of appeal. As a result of the appeal, Council of State also approved the resolution of the Court on 1 December 2011. The request about revision of decision relating to decision of approval has been disallowed by the Council of State on 24 April 2013 and domestic remedies about the lawsuit are exhausted.

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, seeking the cancellation of the 1/1000 scaled zoning plan dated 6 November 2007 by the decision of 9th Administrative Court, the plaintiff also filed a lawsuit against Pendik Municipality on the Istanbul 3rd Administrative Court ("the Court") in order to demand grant a stay of execution suspending the cancellation of the construction and occupancy permits dated 4 December 2009 numbered 101 and 14 December 2009 dated 104 numbered given for Pendorya Mall. The Court issued a stay of execution on 31 December 2010 regarding related occupancy permits and the Court decided on 22 September 2011 to set aside the decision of the case on the basis of that cancellation of the construction licence dated 16 July 2008 numbered 1120 given to TSKB GYO for Pendorya Mall with 4 November 2010 dated resolution is due to the cancellation of 1/1000 scaled Zoning Plan. TSKB GYO, involved in the position to demand the motion for stay of execution of the mentioned cancellation resolution of the Court and has presented the petition of appeal to the Council of State on 4 November 2011. The request for the cancellation of the execution has been rejected on 16 January 2012. The Council of State also approved the resolution of the Court on 29 May 2013. The request adjustment about decision of approval is presented to the Court on 5 November 2013 and answer of petition has been waited.

Development functions and construction conditions of the real estates (land use decisions) are permitted by the Zoning Plan. New 1/5000 scaled, 25 December 2010 dated Zoning Plan for the area where Pendorya is located, has become effective. According to the New 1/5000 scaled Zoning Plan, the related real estate's function has been preserved.

In accordance with the new Zoning Plan, 1/1000 scaled Zoning Plan has been prepared by Pendik Municipality and approved by the Pendik Municipality Council at 7 October 2011. Subsequent to the approval of 1/1000 scaled Zoning Plan by the Istanbul Metropolitan Municipality ("IBB"), the Pendorya Mall's both construction licence and occupancy permit renewal application will be made. The new 1/5000 scaled Zoning Plan was approved by the Assembly of IBB on 12 April 2013 and entered into force was approved by the Presidency on 31 August 2013. Currently, Implementation Plan which is proper for new 1/5000 plan of 1/1000 scale has been expected to be prepared by subsequent to its approval of Pendik Municipality. Following the approval of the Country Council about the plans, the plans will be submitted to the Assembly of IBB.

Pendorya Mall was built in accordance with the 1/1000 scaled Zoning Plan that was in force at the date of construction and both construction licence and occupancy permits had been obtained in regular form at same date. Land amendment transactions are also completed accordingly. Land Registry records were still registered as a shopping center. Therefore, it is not expected that there will be a problem relating with the existing construction licence, new licence demand or operations of Pendorya Mall. As well as uncertainties about conclusion of lawsuits prevail as of report date, TSKB GYO management does not expect a conclusion that affects financial statements significantly, therefore the accompanying financial statements do not include probable effects of these lawsuits.

Plaintiff ultimately filed a lawsuit against IBB and Karacan Yapı at Pendik 2<sup>nd</sup> Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7. TSKB GYO has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. Following the notification of the decision, the appeal process will start.

#### 5. Custodian and intermediary services

The Group provides trading and safe keeping services in the name and account of real persons, entities, funds, pension funds and other entities which are presented in the statement of contingencies and commitments.

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement

##### 1. Information on interest income

###### 1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	15.505	8.975	12.779	9.749
Medium and Long Term Loans	82.745	285.266	75.746	233.951
Interest on Non-performing Loans	1.078	-	219	514
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>99.328</b>	<b>294.241</b>	<b>88.744</b>	<b>244.214</b>

(\*) Commission income from loans has been included to the interest on loans.

###### 1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic Banks	20.220	16	22.942	224
Foreign Banks	-	-	1	1
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>20.220</b>	<b>16</b>	<b>22.943</b>	<b>225</b>

###### 1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1.142	7	3.756	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	204.057	23.945	208.945	28.382
Investments Held to Maturity	-	-	7.693	-
<b>Total</b>	<b>205.199</b>	<b>23.952</b>	<b>220.394</b>	<b>28.382</b>

###### 1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	2.493	2.837

Türkiye Sınai Kalkınma Bankası A.Ş.

# Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information on interest expense

##### 2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	12.861	5.743	3.039	6.073
The Central Bank of Turkey	-	-	4	-
Domestic Banks	12.763	665	3.006	695
Foreign Banks	98	5.078	29	5.378
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	77.613	-	84.231
<b>Total (*)</b>	<b>12.861</b>	<b>83.356</b>	<b>3.039</b>	<b>90.304</b>

(\*) Commissions given to other financial institutions have been included in interest expense on funds borrowed.

##### 2.b Information on interest expenses to associates and subsidiaries:

There is no interest expense to its associates and subsidiaries. (31 December 2012: None)

##### 2.c Information on interest expense to securities issued:

There is no interest expense to its securities issued. (31 December 2012: None)

#### 3. Information on dividend income

	Current period	Prior period
Trading Securities	109	407
Financial Assets at Fair Value Through Profit and Loss	-	-
Available-for-Sale Securities	8.912	2.173
Other	6.694	3.434
<b>Total</b>	<b>15.715</b>	<b>6.014</b>

#### 4. Information on net trading income (net)

	Current period	Prior period
<b>Profit</b>	<b>611.296</b>	<b>406.082</b>
Gains on capital market operations	7.728	7.195
On derivative financial instruments (*)	159.792	160.512
Foreign exchange gains	443.776	238.375
<b>Losses (-)</b>	<b>636.031</b>	<b>(379.773)</b>
Losses on capital market operations	(3.337)	(4.377)
On derivative financial instruments (*)	(206.151)	(111.773)
Foreign exchange losses	(426.543)	(263.623)

(\*) Foreign exchange gain from derivative transactions amounting to TL 137.275 is presented in "Profit on derivative financial instruments" (31 December 2012: TL 133.264), foreign exchange loss from derivative transactions amounting to TL (132.425) is presented in "Losses on derivative financial instruments" (31 December 2012: TL (104.134)).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	6.279	13.638
Gains on Sale of Assets	854	2.962
From Associate and Subsidiary Sales	756	-
From Immovable Fixed Asset Sales	33	2.912
From Property Sales	65	50
From Other Asset Sales	-	-
Other <sup>(*)</sup>	18.408	15.660
<b>Total</b>	<b>25.541</b>	<b>32.260</b>

(\*) Gain on fair value difference of investment properties of the Group amounting to TL 4.220 and rent income amounting to TL7,648 is included in "Other" (31 December 2012: TL 4.189 fair value difference, TL 9.518 rent income).

##### 6. Provision expenses related to loans and other receivables of the Group

	Current Period	Prior Period
Specific provisions for loans and other receivables	26.038	613
III. Group	25.653	59
IV. Group	46	1
V. Group	339	553
General provision expenses	19.336	18.756
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.856	1.476
Trading securities	-	396
Investment securities available for sale	1.856	1.080
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other	-	13.750
<b>Total</b>	<b>47.230</b>	<b>34.595</b>

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 7. Information Related to Other Operating Expenses

	Current Period	Prior Period
Personnel expenses	66.134	60.091
Reserve for employee termination benefits	392	3.017
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	35.571	-
Depreciation expenses of fixed assets	2.564	2.486
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	401	358
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	19	20
Depreciation expenses of assets held for resale	7	9
Impairment expenses of assets held for sale	-	-
Other operating expenses	25.429	22.865
Rent expenses	3.176	2.107
Maintenance expenses	1.392	1.477
Advertisement expenses	1.469	1.372
Other expenses	19.392	17.909
Loss on sales of assets	20	110
Other	9.991	11.262
<b>Total</b>	<b>140.528</b>	<b>100.218</b>

##### 8. Information on profit/loss before tax from continued and discontinued operations before tax

As of 31 December 2013, profit before tax of the Group has decreased by 7,78% as compared to the prior period (31 December 2012: 24,70% increased). In comparison with the prior year, the Group's net interest income has increased by 13,36% (31 December 2012: 17,97% increase)

##### 9. Information on tax provision for continued and discontinued operations

###### 9.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Group's current tax charge for the period is TL 58.256 (31 December 2012: TL 94.286 tax charge). Deferred tax charge is TL 16.783 (31 December 2012: TL 18.032 tax benefit).

###### 9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax charge calculated on temporary differences is TL 16.783 (31 December 2012: TL 18.032 tax benefit).

###### 9.c Information related to deferred tax benefit/charge on temporary differences, losses, tax deductions and exceptions:

As of 31 December 2013, deferred tax charge calculated based on temporary timing differences is TL 16.783 (31 December 2012: TL 18.032 tax benefit). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (31 December 2012: None).

In addition, TL 2.133 deferred tax (31 December 2012: TL 32.264), which is calculated over the fair value differences on available for sale securities, is offset against the "available for sale securities value increase fund" item under equity and TL 95 deferred tax, which is calculated over actuarial difference on employee benefit is offset against "other profit reserves" item under equity.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 10. Information on net profit from continued and discontinued operations

For the year ended 31 December 2013, net profit of the Group has decreased by 9,23% compared to the prior year (31 December 2012: 25,73% increase).

##### 11. Information on net profit/loss

11.a The nature and amount of certain income and expense items from ordinary operation is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Group's performance for the period:

The Group has generated TL 657.490 interest income, TL 175.902 interest expenses, TL 27.867 net fee and commission income from banking operations (31 December 2012: TL 613.037 interest income, TL 188.193 interest expenses, TL 26.520 net fee and commission income).

11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in the accounting estimates.

11.c Minority share of profit and loss:

The current year profit attributable to minority shares is TL (8.736) (31 December 2012: TL 8.141 profit). The total shareholders' equity, including current year profit attributable to minority shares is TL 75.522 (31 December 2012: TL 84.273).

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	19.036	13.834
Commissions from Initial Public Offering	1.705	469
Investment Fund Management Income	2.217	2.253
Other	2.080	3.171
<b>Total</b>	<b>25.038</b>	<b>19.727</b>

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## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

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### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### V. Explanations related to consolidated statement of changes in shareholders' equity

###### 1. Information related to capital

As of 31 December 2013, shareholders are as follows:

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate(%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	650.001	50,00	650.001	-
T. Vakıflar Bankası T.A.O.	108.907	8,38	108.907	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	541.092	41,62	541.092	-
<b>Total</b>	<b>1.300.000</b>	<b>100,00</b>	<b>1.300.000</b>	<b>-</b>

Prior Period Name Surname/Commercial Title	Share Capital	Shareholding Rate(%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

In the current period, in the meeting of the General Assembly held on 26 March 2013; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.100.000 to TL 1.300.000 by TL 200.000. In respect of the resolution of the General Assembly, TL 168.000 of this increase will be incorporated from the profit of the year 2012 and the remaining TL 32.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 3 May 2013, has been published in the Turkish Trade Registry Gazette No: 8351 on 27 June 2013.

In the prior period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011 and the remaining TL 163.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.



Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 2. Information on the increase arising from the revaluation of available-for-sale securities

As of 31 December 2013, TL 10.756 value increase is arising from the valuation of available for sale investments at fair value. TL 2.133 deferred tax is offset against value increase related to these investments and as a result, TL 8.623 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

In the prior period, TL 163.568 value increase is arising from the valuation of available for sale investments at fair value. TL 32.264 deferred tax is offset against value increase related to these investments and as a result, TL 131.304 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

##### 3. Information on increases in the cash flow hedges

There is no increase in the cash flow hedges.

##### 4. Reconciliation between beginning and ending balances for foreign currency differences

There is no difference in the beginning and ending balances for foreign currency differences accounted for under equity.

##### 5. Information on the decrease arising from the revaluation of securities available-for-sale

The increase/decrease arising from the revaluation of securities available-for-sale is explained in Note V.2, above.

##### 6. Information about dividends

###### 6.a Dividends declared subsequent to the reporting date, but before the announcement of the financial statements:

Dividends related with the equity shares are determined by the General Assembly of the Shareholders. Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the approval of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The profit distribution will be approved at the General Assembly, which is not yet held as of the date of the financial statements authorized for issue.

###### 6.b Net dividend per share proposed after the reporting period:

As of the reporting date, there are no dividends proposed by the Parent Bank for the approval in the General Assembly as explained above.

##### 7. Amounts transferred to legal reserves

In the current year, TL 33.392 was transferred to the legal reserves (31 December 2012: TL 27.936).

##### 8. Offsetting of the prior period's losses

There is no offsetting of accumulated losses made during the current and prior year.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### VI. Explanations related to consolidated statement of cash flows

##### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents

In the current period, TL 43.281 other income consists of gain from sale of assets, capital market transactions gain and other non-interest income (31 December 2012: TL 85.850 other income consists of other income rental income, securities trade gains gain from sale of assets and gains other than interest).

Other caption in changes in assets and liabilities from banking operations, TL 56.727 (31 December 2012: TL (60.176)) consists of taxes paid, except derivative financial transaction losses, financial lease expense, employee termination benefits provision, depreciation expense other operating income and, fees and commissions paid.

In the current period, net increase/decrease in other assets TL 214.916 (31 December 2012: TL 116.869) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, TL 330.090 other liabilities (31 December 2012: TL 101.026) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 17.280 gain (31 December 2012: TL 2.400 loss).

##### 2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:

In the current period, the Group invested TL 17.258 in movable fixed assets and properties and invested TL 630 in intangible fixed assets. There is TL 120 investment in associates and subsidiaries.

In the prior period, the Group invested TL 13.613 in movable fixed assets and properties and invested TL 560 in intangible fixed assets. There is TL 420 investment in associates and subsidiaries.

##### 3. Information about disposal of associates, subsidiaries, and other investments:

The total amount of purchases or sales of related account and their cash and cash equivalent assets;

In the current period, the Group has generated a cash inflow of TL 1.605 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period, , the Group has generated cash inflows of TL 3.865 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 4. Cash and cash equivalents at the beginning and end of period:

Cash and cash equivalents at the beginning of period:

	At the Beginning of Current Period	At the Beginning of Prior Period
Cash	28.048	8.200
Cash Equivalents	438.611	526.489
<b>Total</b>	<b>466.659</b>	<b>534.689</b>

Cash and cash equivalents at the end of period:

	At the End of Current Period	At the End of Prior Period
Cash	107	28.048
Cash Equivalents	498.160	438.611
<b>Total</b>	<b>498.267</b>	<b>466.659</b>

##### 5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons

There are no cash and cash equivalents restricted for the usage of the Parent Bank and affiliates by legal limitations and other reasons.

##### 6. Additional information related to financial position and liquidity

###### 6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

###### 6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### VII. Explanations on the risk group of the Parent Bank

##### 1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

###### 1.a Current period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	83.374	412	107.017	117.413	44.671	4.225
Balance at the end of the period	85.560	262	112.840	117.413	91.627	-
Interest and commission income received	2.488	5	2.616	294	3.318	-

###### 1.b Prior period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	85.465	490	57.506	117.413	41.643	-
Balance at the end of the period	83.374	412	107.017	117.413	44.671	4.225
Interest and commission income received	2.832	5	2.082	294	2.031	-

###### 1.c Information on deposit held by Parent Bank's own risk group:

The Parent Bank is not authorized to accept deposits.

##### 2. Information on forward and option agreements and other similar agreements made with related parties

The Parent Bank has not any derivative transactions with the Parent Bank's risk group.

##### 3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to key management personnel in the current period amount to TL 10.016 (31 December 2012: TL 8.702).

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Parent Bank

##### 1. Information and disclosures related to the domestic, foreign branches and foreign representations of the Group

	Number	Number of Employees			
Domestic branches	16	482			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

##### 2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:

In the current year, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches.

In the prior period, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches. In the Board of Directors meeting held on 25 January 2012; it was decided to close TSKB Bahrain Branch of the Parent Bank and in this context, General Management was authorized for the required operations. In accordance with the decision, the Parent Bank management has started to executions in order to terminate the Bahrain Branch activities. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SIX

#### OTHER EXPLANATIONS

##### I. Other explanations related to the operations of the Parent Bank

##### 1.a Brief information related to rating carried out by international rating firms:

##### FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	BBB-
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	F3
Support Note	2
National Support Note	BBB-
National Note	AAA
National Note Outlook	Stable

Information above is received from Fitch Ratings report dated 31 October 2013.

##### MOODY'S

Financial Rating Note	D+
Outlook	Stable
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3

Information above represents updated information as of 3 July 2012.

##### 1.b Informations on corporate governance rating of the Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, declared the Bank's corporate governance rating of 9,11 over 10 (91,09%) has increased to 9,40 (94,03%) on its revision report dated 21 October 2013 based on the investigation performed. With respect to CMB's resolution, ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are revised and declared as; 88,65 (Weight: 25%), 97,08 (Weight: 25%), 95,44 (Weight: 15%), 95,08 (Weight: 35%) respectively.

##### II. Other explanations related to the events after the reporting date

As of 31 January 2014, the Parent Bank has sold all Takasbank-İstanbul Takas ve Saklama Bankası A.Ş. shares representing 5% of its shares nominal amount of TL 21.000 to Borsa İstanbul A.Ş. at a price of TL 33.390 and the sale amount was collected within the same day.

Türkiye Sınai Kalkınma Bankası A.Ş.

## Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

(Currency: Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### SECTION SEVEN

#### INDEPENDENT AUDITORS' REPORT

##### I. Explanations on the independent auditors' report

Consolidated financial statements and the notes to the financial statements as at 31 December 2013 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("the Turkish member firm of KPMG International, a Swiss entity"). The independent auditors' report dated 4 February 2014 is presented at the beginning of the consolidated financial statements and related notes.

##### II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Group's operations.

Türkiye Sınai Kalkınma Bankası A.Ş.

## TSKB Stock Performance in 2013

2013 was a year of change in terms of financial markets. The portfolio investments inflow shifted from emerging markets, which outperformed due to loose monetary policies initiated following the 2008 crisis, to developed countries which show signals of economic recovery. The positive expectations coming to an end after the second investment grade granted by Moody's following Fitch's upgrade and the outflow from emerging countries at the same time period created a negative outlook. While the devaluation of Turkish Lira led to inflationary pressures, a surge in the current account deficit was observed as a result of economic growth which was recorded above expectations due to domestic demand.

Following the Fed's Chairman Ben Bernanke's announcement at the end of May that Fed can reduce its bond purchases which had been raised to USD 85 billion in September 2012 and end the bond-buying program completely in the midst of 2014, a critical transition was experienced in the markets which had depicted a positive outlook during the first five months of the year. Subsequently, US Dollar started to appreciate, and increases in the American bond interests were observed. This situation, which points to the end of liquidity affluence, led to outflows of portfolio investments from emerging countries and severe depreciation in their local currencies. According to IFF data, there has been USD 16 billion of outflow in 2013 from emerging countries which received USD 52 billion portfolio investment inflow in 2012. Turkey's rating note was upgraded by Moody's to investment grade as a result of which, together with Fitch, Turkey became a country holding two investment grades. Following this positive development, the deterioration in the outlook of emerging countries had a negative effect on the local markets. Turkish Lira depreciated by 23% relative to basket rate. With the devaluation of Turkish Lira and surge in the food prices, the annual inflation increased from 6.16% to 7.4%. In the first nine months, Turkish economy grew by 4% owing to strong domestic demand. The current account deficit which was recorded as USD 48.5 billion at the end of 2012, reached USD 60.8 billion as of November 2013.

BIST-100 closed the year with 13% loss. The benchmark interest rate which jumped from 6.15% to 10.1% had negative reflections on the banking index. The banking index dropped by 25% while the industry index declined by 4% in 2013. In order to mitigate currency volatility, Central Bank of Turkey increased the cost of funding to Banks from 5.55% of 2012 year end to 7.10%. The USD/TL parity which was 1.7776 at the beginning of 2013 closed the year with 2.1304. Moreover, the share of foreign investors in stocks deteriorated from 65.7% to 62.4% while their share in bonds increased from 24.3% to 25.3% due to the fact that the interest rate increases attracted foreign investments in 2013.

TSKB stocks performed better than BIST-100 and the banking sector index in 2013, as was the case in previous years. Although the stock price of TSKB fell by 3.4% in 2013, the return relative to banking index was 28.7% and the relative return compared to BIST-100 was 11.4%. This performance can be attributed to a number of factors such as TSKB's FX loan portfolio curtailing the negative effects of the devaluation of Turkish Lira and its business model proving to be more immune to regulatory authorities' precautions to reduce the domestic demand in order to curb the current account deficit.

Market capitalization of the Bank which was USD 1.42 billion at the beginning of 2013 reached USD 1.6 billion during the year. However, due to market volatility TSKB closed the year with a market capitalization of USD 1.1 billion.

	31.12.2010	31.12.2011	31.12.2012	31.12.2013
Closing price of TSKB stock (TL)*	1.31	1.08	1.90	1.83
Change (%)**	71.0	-18.1	76.2	-3.4
BIST Bank Index, relative (%)	42.3	19.2	7.1	28.7
BIST-100, relative	36.9	5.5	15.5	11.4
BIST Bank Index	143,692	98,753	162,505	121,924
Change (%)**	20.2	-31.3	64.6	-25.0
BIST-100, relative	66,004	51,267	78,208	67,802
Change (%)**	24.9	-22.3	52.6	-13.3

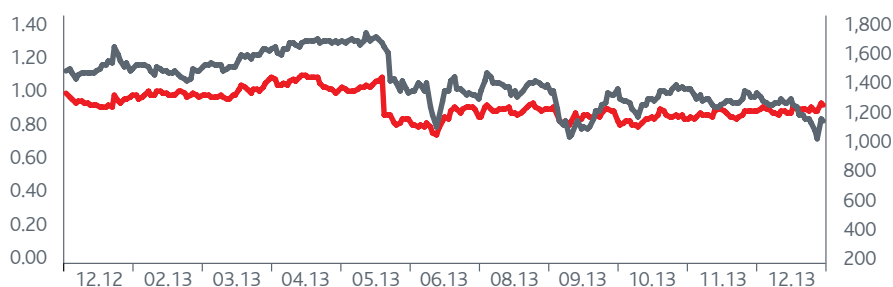
Source: BIST Daily Bulletin

(\*) Retroactive closing prices are adjusted on the basis of cash dividends and bonus issues after the dates given.

(\*\*) Year-to-date change

— BIST-100 Relative Price (31.12.2012=1) (Left axis)

— TSKB MCap (USD million) (Right axis)



Note: The graphic shows the total market value of a TSKB stock and the BIST-100 relative return at the 31.12.2012-31.12.2013 period.

Source: BIST Daily Bulletin



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