

**TSKB**

*Türkiye Sınai Kalkınma Bankası*

**ANNUAL  
REPORT 2015**

# ORDINARY GENERAL ASSEMBLY MEETING AGENDA

- 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 Independent Auditors regarding the accounts and transactions of the Bank within the year of 2015,
- 3- Review, discussion and approval of the balance sheet and profit and loss statement of the Bank for the year of 2015,
- 4- Approval of the appointment of the members of the Board of Directors substituting the members leaving their post during the year,
- 5- Release of the Members of the Board of Directors,
- 6- Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend allotment date,
- 7- Determination of allowance for the Members of the Board of Directors,
- 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 2016,
- 10- Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,
- 11- 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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## **GLOSSARY**

## CORPORATE PROFILE

OVER THE YEARS, TSKB HAS PLAYED A KEY ROLE IN THE ESTABLISHMENT OF MANY INDUSTRIAL CORPORATIONS, WHICH SERVE AS THE BUILDING BLOCKS OF THE PRIVATE SECTOR IN THE COUNTRY.

Türkiye Sınai Kalkınma Bankası (TSKB), Turkey's first privately owned development and investment bank, started up operations in 1950. During its 65-year history, TSKB has provided valuable contributions to Turkey's economic development. Thanks to its many successful investment projects, the Bank has played a key role in the integration of our country with the global economy.

### A KEY PLAYER IN TURKEY'S DEVELOPMENT

Defining its operations in line with the principle of continuous development, TSKB devises solutions for its clients in the areas of corporate banking, investment banking and advisory. The Bank is gradually stepping up its support for Turkey's sustainable development and growth. It is also committed to stand up for manufacturers under all conditions.

### STRONG REPUTATION AMONG GLOBAL FUND PROVIDERS

Founded with the initiation of World Bank, TSKB has a strong reputation among global fund providers. TSKB's international business partners include some of the world's most prominent international financial institutions, including the World Bank, European Investment Bank (EIB), German Development Bank (KfW), Council of Europe Development Bank (CEB), International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), Japan Bank for International Cooperation (JBIC), French Development Agency (AFD) and Islamic Development Bank (IDB).

TSKB successfully undertakes accomplishments such as securing its syndication loan and issuing Eurobonds as

a part of its efforts to diversify its funding base. The Bank's primary goal is to provide financing to investment projects that will significantly contribute to Turkey's sustainable growth, under the most favorable terms and conditions possible.

### PIONEER OF SUSTAINABLE BANKING

TSKB distinguishes itself with its strong commitment to sustainability. The Bank provides clients funding obtained from international institutions in a variety of investment areas; including renewable energy, energy and resource efficiency, environment, sustainable tourism, healthcare, education and SME financing. A large portion of the Bank's portfolio is made up of sustainability-oriented investments. TSKB figures among the leading banks that have facilitated Turkey's transition to low-carbon emission manufacturing. Defining all its operations in line with the principles of sustainability, TSKB measures the environmental and social impacts of the investment projects it finances. As Turkey's first carbon-neutral bank, TSKB encourages and motivates those stakeholders in its area of influence to undertake sustainability-related initiatives.

### A WIDE RANGE OF CUSTOMER- FOCUSED INVESTMENT BANKING PRODUCTS AND SERVICES

TSKB delivers its corporate clients world-class investment banking services through solutions-oriented treasury products in addition to traditional corporate finance services; such as mergers, public offerings and bond issuances. Capitalizing on its vast experience in project evaluation and sustainable banking, TSKB aims to build long-term partnerships with its clients

through advisory services in order to add value to their projects and investment activities.

### STRONG COOPERATION WITH SUBSIDIARIES

Thanks to the added value provided by its subsidiaries - which specialize in real estate and sustainability areas and intermediary services in money and capital markets - TSKB raises its financial and operational goals and delivers solutions to its clients in various specialty areas. Please refer to page 40 for detailed information about services the Bank provides in collaboration with subsidiaries.

### HIGH-PERFORMING STOCK THAT CREATE VALUE FOR INVESTORS

TSKB's stock, which is traded on BIST 50, has also been included in the ISIST Index that was launched in April 2015. Being the pioneer of sustainable banking in Turkey, TSKB also has taken its place among the BIST 50 companies which were entitled to trade on the Sustainability Index as of November 2015.

The Bank operates through its head office in Findıklı, İstanbul and branches in Ankara and İzmir. According to the unconsolidated audited financial statements dated December 31, 2015, the Company's total asset size reached TL 20.7 billion.

50% of TSKB stock is held by Türkiye İş Bankası Group, while 39.3% of its shares are traded on BIST Star Market under the ticker symbol "TSKB."

Detailed information on TSKB's stock performance is presented on page 11 of the report.





**SINCE 1950, TSKB HAS UNDERTAKEN  
INITIATIVES THAT ADD VALUE  
TO TURKEY'S SUSTAINABLE  
DEVELOPMENT.**

## OUR MISSION AND VISION- OUR RESOURCES- OUR GOALS

TSKB, WHICH STRUCTURES ITS OPERATIONS PURSUANT TO ITS VISION OF “BEING THE PIONEERING BANK IN TURKEY’S SUSTAINABLE DEVELOPMENT”, CONTINUES TO ENRICH ITS PRODUCTS AND SERVICES.

### OUR MISSION

FOR TURKEY’S SUSTAINABLE DEVELOPMENT: SUPPLY ENTREPRENEURS WITH MEDIUM- AND LONG-TERM FINANCING, BROKERAGE AND ADVISORY SUPPORT, PLAY A CONTINUOUS ROLE IN THE DEVELOPMENT OF CAPITAL MARKETS IN TURKEY, CREATE INCREASINGLY MORE ADDED VALUE FOR OUR SHAREHOLDERS, CUSTOMERS, EMPLOYEES, AND ALL OTHER STAKEHOLDERS.

### OUR VISION

TO BE THE PIONEERING BANK IN TURKEY’S SUSTAINABLE DEVELOPMENT.

### OUR STRENGTHS

- » A SOLID CAPITAL STRUCTURE AND STRONG PARTNERS,
- » A REPUTATION AS AN INSTITUTION THAT IS TRUSTED BY THE INTERNATIONAL AND SUPRANATIONAL FINANCIAL INSTITUTIONS THAT PROVIDE FUNDING,
- » AN ABILITY TO ACCESS LOW-COST, LONG-TERM FUNDING AND TO PUT SUCH FUNDING TO WORK,
- » PROFESSIONAL AND EXPERIENCED HUMAN RESOURCES WHO ARE EQUIPPED WITH INTERNATIONAL-CLASS KNOWLEDGE AND EXPERIENCE,
- » AN ABILITY TO REACH AN EXTENSIVE CUSTOMER BASE WITH LOW OPERATIONAL COSTS,
- » RELIABLE AND ADVANCED TECHNOLOGICAL INFRASTRUCTURE.

## OUR GOALS





## TSKB'S PORTFOLIO OF PRODUCTS AND SERVICES

WITHIN THE SCOPE OF CORPORATE BANKING, INVESTMENT BANKING AND CONSULTANCY BUSINESS LINES, TSKB UNDERTAKES PROJECTS WHICH BOLSTERS TURKEY'S DEVELOPMENT.

### CORPORATE BANKING

#### PRODUCTS AND SERVICES THAT CONTRIBUTE TO TURKISH ECONOMY AND LABOR FORCE

##### CORPORATE LOANS

- » INDUSTRIAL INVESTMENTS
- » ENERGY AND RESOURCE EFFICIENCY
- » ENVIRONMENT FRIENDLY INVESTMENTS
- » RENEWABLE ENERGY
- » SUSTAINABLE TOURISM
- » HEALTH AND EDUCATION INVESTMENTS

##### PROJECT FINANCE

- » POWER GENERATION AND DISTRIBUTION
- » HOTELS, SHOPPING MALLS AND COMMERCIAL REAL ESTATE
- » LOGISTICS
- » TRANSPORTATION/INFRASTRUCTURE
- » PUBLIC-PRIVATE PARTNERSHIP PROJECTS
- » MERGERS & ACQUISITIONS

##### OTHER LOANS

- » WHOLESALE BANKING
- » SME FINANCE
- » EXPORT FINANCE
- » FOREIGN TRADE FINANCE
- » COUNTRY (ECA) LOANS
- » WORKING CAPITAL FINANCE
- » FINANCIAL LEASING

### INVESTMENT BANKING

#### PRODUCTS AND SERVICES THAT SUPPORT TO IMPROVE CLIENTS ASSETS

##### CORPORATE FINANCE

- » EQUITY PUBLIC OFFERINGS AND TRANSACTIONS
- » DEBT SECURITY OFFERINGS AND TRANSACTIONS
- » MERGERS & ACQUISITIONS
- » ASSET PURCHASES & SALES ADVISORY
- » PRIVATIZATION ADVISORY

##### CAPITAL MARKETS\*

- » EQUITIES BROKERAGE SERVICES
- » FIXED INCOME SECURITIES BROKERAGE SERVICES
- » FX TRANSACTIONS
- » WARRANT TRANSACTIONS
- » REPO TRANSACTIONS
- » FOREIGN DERIVATIVE TRANSACTIONS
- » FOREX AND LEVERAGED TRANSACTIONS
- » LOANS AGAINST SECURITIES
- » PORTFOLIO MANAGEMENT
- » INVESTMENT CONSULTANCY

##### DERIVATIVES

- » FORWARDS
- » OPTIONS
- » CAPS & FLOORS
- » SWAPTIONS
- » SWAP TRANSACTIONS
  - » FOREX
  - » INTEREST RATE
  - » CROSS CURRENCY

### CONSULTANCY

#### TAILOR-MADE PRODUCTS AND SERVICES THAT ADD VALUE TO THE BANK'S CUSTOMERS' OPERATIONS

##### STRATEGIC CONSULTANCY

- » COMPANY, BRAND AND LICENSE APPRAISAL
- » VALUATION AND FEASIBILITY ANALYSIS
- » FINANCIAL STRUCTURING
- » STRATEGIC ROADMAPS
- » SECTOR ANALYSIS
- » PROJECT FINANCE CONSULTANCY

##### REAL ESTATE APPRAISAL\*

- » REAL ESTATE APPRAISAL
- » MACHINERY AND EQUIPMENT APPRAISAL
- » BIDDING CONSULTANCY
- » THE HIGHEST AND BEST-USE ANALYSES
- » COLLATERAL APPRAISAL
- » FEASIBILITY AND PROJECT MONITORING
- » SECTOR ANALYSIS AND MARKET RESEARCH REPORT
- » GREEN BUILDING ANALYSIS
- » URBAN TRANSFORMATION CONSULTANCY
- » CONCEPT DEVELOPMENT CONSULTANCY

##### SUSTAINABILITY\*

- » SUSTAINABILITY MANAGEMENT
- » ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT
- » TECHNICAL CONSULTANCY
- » CLIMATE CHANGE MANAGEMENT
- » CARBON CONSULTANCY
- » ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT
- » INVESTMENT MONITORING FOR FINANCIAL INSTITUTIONS
- » RENEWABLE ENERGY CONSULTANCY

\* TSKB provides a part of its service in investment banking and advisory within the scope of cooperation with its subsidiaries namely Yatırım Finansman Securities, TSKB Real Estate Appraisal and Escarus Sustainability Consultancy.





32% GROWTH

**HAVING EXPANDED BY 32%,  
TSKB'S ASSET SIZE REACHED  
TL 20.7 BILLION.**

## KEY INDICATORS AND RATIOS

TSKB'S LOAN PORTFOLIO GREW 24.5% YOY, REACHING TL 20.7 BILLION WHILE THE BANK'S CAPITAL ADEQUACY RATIO STOOD AT 14.9% AND PRESERVED ITS STRONG EQUITY BASE.

KEY INDICATORS (TL MILLION)	2011	2012	2013	2014	2015
Assets	9,456	10,290	12,911	15,701	20,735
Loan Portfolio	6,395	6,895	9,177	10,981	13,675
Shareholders' Equity	1,366	1,755	1,885	2,288	2,489
Net Profit	255	307	326	369	407

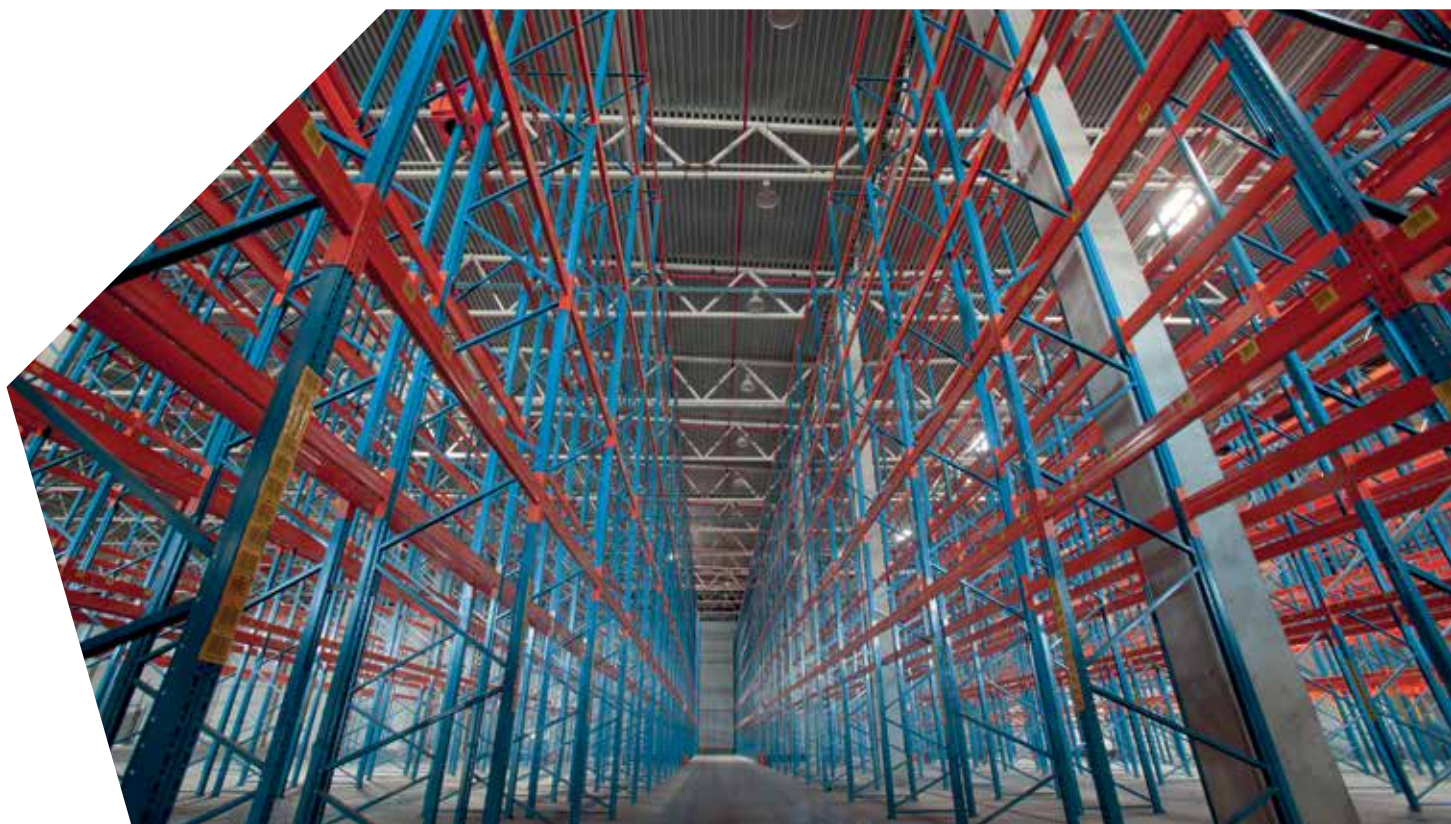
(%)	2011	2012	2013	2014	2015
Average Return on Equity	19.4	19.7	17.9	17.7	17.0
Average Return on Assets	2.9	3.1	2.8	2.6	2.2
Capital Adequacy Ratio	19.1	20.4	18.2	18.1	14.9

### TOTAL ASSETS (TL MILLION)

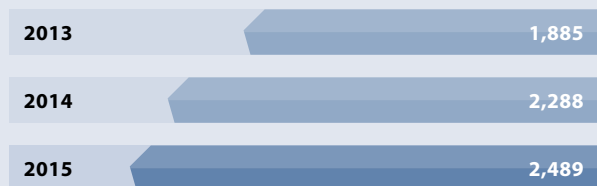


### LOAN PORTFOLIO (TL MILLION)

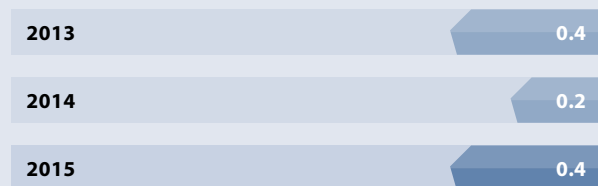




#### SHAREHOLDERS' EQUITY (TL MILLION)



#### NPL RATIO (%)



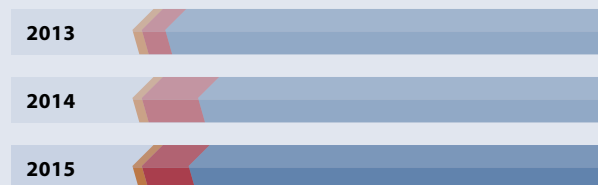
#### ASSETS COMPOSITION (%)

	2013	2014	2015
Liquid Assets	26	27	31
Loans	71	70	66
Other	3	3	3



#### INCOME BREAKDOWN (%)

	2013	2014	2015
Net Interest Income	93	86	88
Net Commissions	2	2	2
Other Income	5	12	10

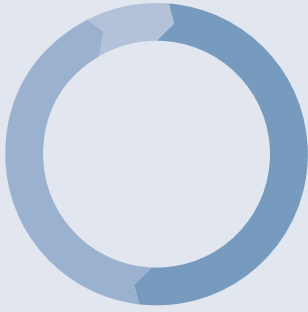




## OWNERSHIP STRUCTURE, CREDIT RATINGS AND TSKB STOCK PERFORMANCE

39.3% OF TSKB SHARES ARE TRADED ON THE BIST STAR MARKET UNDER THE TICKER SYMBOL "TSKB."

### TSKB OWNERSHIP STRUCTURE (%)



T. İş Bankası Grubu 50.33  
Free Float and Other 41.29  
Türkiye Vakıflar Bankası T.A.O. 8.38

Türkiye İş Bankası A.Ş., the main shareholder of TSKB, holds direct or indirect authority over the management and auditing of the Bank.

TSKB's paid-in capital is TL 1,750 million, and its ownership structure is presented in the chart above.

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

### CREDIT RATINGS

#### Fitch Rating's

On October 15, 2015, international credit rating agency Fitch Ratings affirmed TSKB's credit ratings as shown below and its outlook as "stable."

#### Foreign Currency Credit Rating

Long-term	BBB-
Outlook	Stable
Short-term	F3

#### Turkish Lira Sovereign Rating

Long-term	BBB
Outlook	Stable
Short-term	F3

#### Other

Support Rating	2
Support Rating Floor	BBB-
Long-term National Rating	AAA (tur)
Outlook	Stable

#### Moody's Investors Service

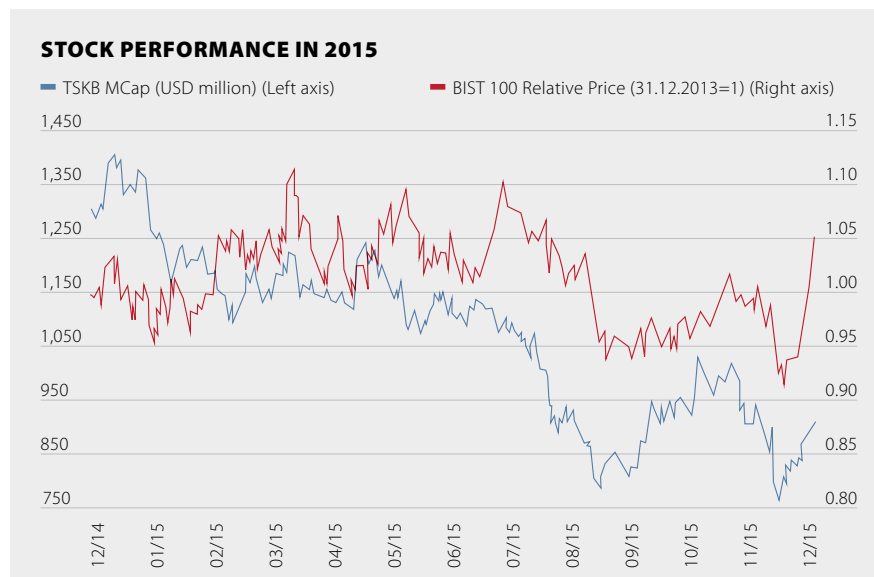
On October 23, 2015, international credit rating agency Moody's revised TSKB's Baseline Credit Assessment Rating as "ba2" and affirmed other ratings as indicated below:

Baseline Credit Assessment Rating	ba2
Long-term Foreign Currency Issuer Rating	Baa3
Long-term Local Currency Issuer Rating	Baa3
Outlook	Negative
Short-term Foreign Currency Issuer Rating	P-3
Short-term Local Currency Issuer Rating	P-3

### TSKB SHARE PERFORMANCE

In the wake of the 2008 global financial crisis, central banks around the globe implemented expansionary monetary policies to stimulate economic growth. However, 2015 emerged as a year of divergence with respect to their policies. In December 2013, the Central Bank of US (Fed) initiated the normalization process by scaling back its bond-purchasing program and moved to raise interest rates in December 2015. On the other hand, the European Central Bank (ECB) stepped up its expansionary monetary policy in January 2015 with new bond purchases amounting to EUR 60 billion a month coupled with negative deposit rates. As a result, the Euro to US dollar exchange rate dropped from 1.21 to 1.05, and stood at 1.08 at year's end. This was a result of the ECB deciding not to change the size and scale of its bond-purchasing program, and even extending it from September 2016 to March 2017. Meanwhile, the price of oil fell from USD 57 to USD 36 per barrel mainly due to excess supply, China's slowing economic growth and thus declining demand, and the expectation that sanctions imposed on Iran would be lifted. Oil prices plunged 68% between June 2014 and December 2015. The sharp decline in oil prices led to a contraction in the economies of commodity exporting countries, such as Russia and Brazil. For the first time since 1988, reduced risk appetite coupled with economic or political issues in emerging markets have led to net capital outflows from these countries.

In light of the positive outlook in financial markets, capital inflows to developing countries and falling inflation rates, the Central Bank cut its policy rate twice in January and February, from 8.25% to 7.5%. Furthermore, the BIST-100 stock index rose by 3.8% in January, converging towards 89,000. However, after January, capital flight from emerging markets and political risks exacerbated, precipitating a negative outlook, which persisted until the year-end. Therefore, due to the instability in financial markets, the Central Bank had to delay the shift to a simplified monetary policy, which it had announced in August in line with the normalization of monetary policies globally. The Central Bank aims to narrow the interest rate corridor, keeping it symmetric



	2013	2014	2015
Closing price of TSKB stock (TL)*	1.29	1.69	1.52
Change (%)**	-3.4	30.9	-10.0
BIST Bank Index, relative (%)	28.7	0.4	19.3
BIST 100, relative (%)	11.4	3.6	7.5
BIST Bank Index	121,924	158,940	119,917
Change (%)**	-25.0	30.4	-24.6
BIST 100 Index	67,802	85,721	71,727
Change (%)**	-13.3	26.4	-16.3

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.

around the policy interest rate. As a result of increasing capital flight and political risks, the US dollar to Turkish lira exchange rate jumped 25% in 2015. Meanwhile, the benchmark bond yield rose to 10.86%, up from 8.02% at the beginning of the year.

Starting out the year at 89,000, the BIST-100 index slipped below 70,000 before eventually closing 2015 at 71,727, down 16% year-on-year. The Banks Index, on the other hand, was down 25% for the year, posting an even greater decline than the BIST-100. TSKB stock dropped by only 10% in 2015,

outperforming the sector index by 19%. TSKB's total market capitalization was USD 1.3 billion at year-end 2014, and it fluctuated between USD 767 million and USD 1.4 billion during the year. As of December 31, 2015, TSKB's market capitalization stood at USD 912 million.

Domestic and foreign investors are showing increasing interest in TSKB's free float. Accordingly, the number of brokerage firms covering the Bank's stock rose to 16 as of December 31, 2015.

## MILESTONES FROM 1950 TO 2015

FOUNDED IN 1950 WITH THE MISSION OF SUPPORTING TURKEY'S ECONOMIC DEVELOPMENT, TSKB HAS CREATED VALUE FOR THE COUNTRY FOR THE PAST 65 YEARS BY DELIVERING HIGH QUALITY SERVICES TO THE PRIVATE SECTOR.



**1950s**

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



**1960s**

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

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



**1970s**

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



**1980s**

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



**1990s**

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





2000s

TSKB continued working to develop and diversify its international funding resources. During this period, the Bank successfully tapped into international syndication and murabaha markets for the first time. TSKB also began to provide an increasing volume of resources to SMEs through indirect funding in collaboration with commercial banks and leasing companies as part of "APEX Banking" operations. As the concept of sustainability gained prominence globally, TSKB started to design its business processes with a sustainable approach. TSKB became the first Turkish bank to receive ISO 14001 Environmental Management System certification; it also started to offer "environmentally aware" loans. During this decade, the Bank laid the groundwork for its social responsibility projects that aimed to raise public awareness about environmental sustainability.

For three years in a row, TSKB won first prize for the Eastern Europe Region at the "Sustainable Banking Awards" programme, organized jointly by the Financial Times (FT) and the International Finance Corporation (IFC). In addition, TSKB became Turkey's first carbon-neutral bank. TSKB closely followed and monitored sustainability efforts across the globe. Consequently, it became a member of the United Nations Environment Program Finance Initiative (UNEP FI) and publicly announced its commitment to the UN Global Compact.

2010s

TSKB began to focus on renewable energy and energy efficiency projects in the 2010s. As of end-2015, the Bank has financed 133 renewable energy projects and more than 100 energy and resource efficiency initiatives. TSKB has played an instrumental role in combatting climate change and meeting Turkey's ever-increasing demand for energy.

After the 2008 global financial crisis, interest rates fell sharply across the world, creating a need for new banking products and services. Thanks to its vast experience in this area, TSKB began to provide clients an array of new, competitive investment instruments, such as capital-protected and guaranteed products. Meanwhile, the Bank continued to add value for its stakeholders by taking on key roles in Turkey's electricity distribution privatizations, asset purchase & sale financing, acquisition financing, bond issues, and public offerings. During this time, TSKB introduced new types of loans under the themes of sustainable tourism and resource efficiency. As part of successful efforts to diversify its funding resources, in 2014, TSKB issued its first 5-year maturity Eurobonds, which amounted to USD 350 million. The Bank successfully completed the second Eurobond issuance in 2015.

Undertaking ongoing initiatives and improvements to ensure full compliance with all applicable international laws and regulations, TSKB is one of three companies to have received awards from the Corporate Governance Association of Turkey (TKYD) every year since 2011 under the Corporate Governance Awards. To date, TSKB has won three first place, two second place, and one third place prizes. The Bank signed the 2015 Climate Change Summit (COP21) final declaration for transition to low-carbon economy of ELTI (European Long-Term Investors Association) and IDFC (International Development Finance Club), of which TSKB is the only member from Turkey. Moreover, TSKB was included in the BIST Sustainability Index, which is made up of companies traded on Borsa Istanbul and that perform well in terms of sustainability.

## FIRSTS & INNOVATIONS

SINCE ITS FOUNDING IN 1950, TSKB HAS INTRODUCED MANY FIRSTS AND BREAKTHROUGH PRACTICES THAT HAVE CONTRIBUTED TO TURKEY'S ECONOMIC DEVELOPMENT.



**1950s**

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



**1960s**

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



**1970s**

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



**1980s**

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



**1990s**

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



#### 2000s

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



#### 2010s

- » UNEP FI and Global Compact membership
- » First and only Turkish bank to be granted a membership in Long-Term Investors’ Club (LTIC)
- » Issue 16 thematic mutual funds between 2009 and 2012
- » Secure the first EBRD loan which aims to finance SME projects for the agricultural industry in Turkey
- » First Turkish Bank to be qualified for ISO14064-1 Greenhouse Gas Verification Certificate
- » Sign a restricted mudaraba agreement with the Islamic Development Bank to finance renewable energy and energy efficiency projects
- » Become the founder member of International Development Finance Club (IDFC)
- » First loan agreement with KfW without any guarantee of the Republic of Turkey Prime Ministry Undersecretariat of Treasury
- » The first A+ level Sustainability Report approved by GRI (Global Reporting Initiative) in the sector
- » The “first carbon-neutral concert” within the scope of the İKSV Istanbul Music Festival
- » Support for IDFC (International Development Finance Club)’s climate pledge
- » Assistance for ELTI (European Long-Term Investors Association)’s transition to low-carbon economy pledge
- » Establishment of TSKB Sustainability Committee
- » Eliminating individual carbon footprints of corporate stakeholders



## AWARDS & ACHIEVEMENTS

TSKB SUSTAINS ITS SUCCESSFUL PERFORMANCE AS DEMONSTRATED BY THE MANY INTERNATIONAL AND NATIONAL AWARDS IT HAS RECEIVED TO DATE.

### BANKING AWARDS



» **BEST NATIONAL  
RESOURCE PROJECT  
FINANCE/YENİKÖY  
KEMERKÖY (2015)**  
BONDS, LOANS & SUKUK  
TURKEY



» **BEST STRUCTURED  
FINANCE PROJECT/ETLİK  
PPP (2015)**  
BONDS, LOANS & SUKUK  
TURKEY



» **BEST ENERGY  
INFRASTRUCTURE DEAL  
IN EUROPE (2011)**  
EUROMONEY



» **BEST HYDROELECTRIC  
PROJECT IN EUROPE  
(2011)**  
EUROMONEY



» **BEST EQUITY HOUSE**  
EMEA FINANCE



» **BEST CLEAN TECHNOLOGY  
AND NEW ENERGY  
INVESTOR (2011)**  
THE NEW ECONOMY  
MAGAZINE



» **BEST SOLUTION PARTNER  
IN WIND POWER IN  
TURKEY (2011)**  
TIREC



» **EUROPEAN GEOTHERMAL  
DEAL OF THE YEAR (2008)**  
EUROMONEY



» **INFRASTRUCTURE DEAL  
OF THE YEAR (2008)**  
PFI



» **PROJECT FINANCE DEAL  
OF THE YEAR**  
EUROMONEY



» **BEST CORPORATE  
MERGER AND  
ACQUISITION (2005)**  
EUROMONEY



» **BEST LOCAL BUSINESS  
PARTNER (2004)**  
EUROMONEY



» **BEST INVESTMENT BANK  
IN TURKEY (1997, 1998,  
1999)**  
EUROMONEY



» **HIGHEST RATING GIVEN  
TO A BANK - DEVELOPING  
COUNTRIES CATEGORY  
(1998)**  
THOMSON BANKWATCH



» **BEST RESEARCH  
INSTITUTION IN TURKEY  
(1997)**  
EMERGING MARKETS  
INVESTOR MAGAZINE

## SUSTAINABILITY AWARDS



### » LOW CARBON HERO (2015)

SUSTAINABILITY  
PRODUCTION AND  
CONSUMPTION  
ASSOCIATION



### » ONE OF THE TOP THREE BANKS IN SUSTAINABLE BANKING IN EUROPE (2011, 2013)

FT & IFC



### » SUPPORTER OF SUSTAINABLE ECO- FRIENDLY PRODUCTS AND PRACTICES

ISTANBUL CHAMBER OF  
INDUSTRY (ISO)



### » CLIMATE DISCLOSURE LEADERSHIP (2015)

CDP



### » BRONZE AWARD - SUSTAINABILITY REPORT CATEGORY (2012)

ASTRID AWARDS



### » SUSTAINABLE BANK OF THE YEAR IN EASTERN EUROPE (2008, 2009, 2010)

FT & IFC



### » CLIMATE CHANGE LEADERSHIP (2013)

CDP TURKEY

## CORPORATE GOVERNANCE AWARDS



### » COMPANY WITH THE SECOND HIGHEST CORPORATE GOVERNANCE RATING SCORE (2015)

CORPORATE GOVERNANCE  
ASSOCIATION OF TURKEY  
(TKYD)



### » HIGHEST SCORE IN MULTI-STAKEHOLDER APPROACH FOR TRANSPARENCY IN CORPORATE REPORTING (2015)

TRANSPARENCY  
INTERNATIONAL TURKEY



### » COMPANY WITH THE HIGHEST CORPORATE GOVERNANCE RATING SCORE (2011, 2013, 2014)

CORPORATE GOVERNANCE  
ASSOCIATION OF TURKEY  
(TKYD)



### » HONOR AWARD FOR BEST ANNUAL REPORT - PRINT CATEGORY (2011)

STEVIE BUSINESS AWARDS

## CHAIRMAN'S MESSAGE

AS PART OF ITS LONG-TERM FUND DEVELOPMENT EFFORTS, TSKB CONTINUED TO BUILD PRODUCTIVE AND COLLABORATIVE RELATIONSHIPS WITH PROMINENT INTERNATIONAL FINANCIAL INSTITUTIONS.

Esteemed Shareholders,

The lackluster trend that loomed large over the global economy prevailed in 2015 as well. While developed economies, the US in particular, enjoyed a partial rebound, the European Central Bank's expansionary monetary policy finally yielded much anticipated results, creating an expectation of 1-1.5% growth in the Eurozone economy.

Meanwhile, emerging markets, which posted impressive rates of growth after the 2008 global financial crisis, experienced a sharp, seemingly permanent, slowdown in economic expansion. Going forward, China's economic growth, which dipped below 7% in 2015, is expected to grow by around 5-6%.

### SHARP DECLINE IN COMMODITY PRICES

The recent slowing in developing countries was mainly due to the sharp decline in commodity prices, and especially in oil prices, coupled with excess supply. In 2015, the oil price fell below USD 40 per barrel; a similar trend was observed in the prices of industrial metals such as boron, copper, and others. This situation will probably lead developing countries to devise and implement new economic development policies in the coming period. Besides, the effects of the global downturn are expected to persist in 2016.

### IMPLEMENTATION OF STRUCTURAL REFORMS AT THE NEAREST TIME POSSIBLE WILL ENABLE TURKEY TO POSITIVELY DIFFERENTIATE FROM OTHER EMERGING MARKETS IN THE CURRENT ENVIRONMENT

Despite uncertainties in 2015, Turkish economy delivered a moderate performance. Net exports which was the key driver of economic expansion in 2014 had a curbing effect on growth in 2015. Meanwhile, consumer spending rose thanks to slight recovery in domestic demand. In light of these facts, the expected growth rate for 2015 is around 4%. Furthermore, we expect to see relatively less uncertainty in 2016; as a result, Turkey will most likely maintain an average annual growth of 3-3.5%. Falling oil prices will also contribute to economic growth of Turkey which is an oil importing country. In addition, the implementation of structural reforms at the nearest time possible will enable Turkey to positively differentiate from other emerging markets in the current environment. Turkey, who has the potential to boost its international competitive power through innovation-focused investments and R&D activities, is able to continue attracting capital inflows in 2016, as well.

### RISING FOREIGN CURRENCY EXCHANGE RATES TRIGGERED THE INFLATION

The current account deficit, which has been a major problem for Turkey in recent years, is expected to drop below USD 35 billion by the end of 2015, as a result of measures taken by financial authorities coupled with the decline in oil prices. Moreover, due to the rise in exchange rates, year-end annual inflation (CPI) came in at 8.8%. In 2015, the Eurozone continued to remain the main destination for Turkish exports owing to the sharp fall in global commodity prices and Turkey's decreasing trade with Middle Eastern countries and Russia. However, given the fact that exports to European countries will not be sufficient enough for the sustainable growth performance of Turkey, domestic demand seems to continue being the key driver of growth in the coming period.

### HIGH VOLATILITY SQUEEZED THE INDUSTRY'S PROFITABILITY AND CAPITAL ADEQUACY RATIOS

On the back of macro-prudential measures taken, the banking industry demonstrated controlled growth in 2015; while profitability and capital adequacy ratios dropped sector-wide due to the highly volatile financial markets throughout the year. Nevertheless, the banking industry maintained its sound asset quality despite the depreciation in the Turkish lira. We expect that the sector will continue on its balanced-growth path in the period ahead, with any deterioration in asset quality remaining limited and manageable.





ADNAN BALI CHAIRMAN OF THE BOARD OF DIRECTORS

We also forecast that positive developments in the project finance business will bolster loan growth in 2016. Additionally, new regulations aimed at Basel-III compliance along with capital planning and adequacy will be on the banking industry's agenda in 2016.

#### **THERE IS A GROWING NEED FOR A SIMPLER MONETARY POLICY THAT CAN MAKE AN INSTANT IMPACT ON THE MARKETS**

Fed's interest rate hike, which took place in December 2015, and its "strong" dollar policy will require the Central Bank of Turkey to implement a simpler monetary policy that can directly impact the financial market in the coming period. The general expectation that Fed will raise interest rates gradually while keeping an eye on the possible reactions of global markets will probably save some time for the Central Bank during this process. Simplification of Turkey's interest rate policy will create a stable

environment for both banking industry and the real sector in terms of meeting investment and growth expectations.

#### **A STRONG BRIDGE BETWEEN INTERNATIONAL FUND PROVIDERS AND TURKEY'S PRIVATE SECTOR**

Since its foundation, TSKB has made many valuable contributions to the growth of development banking in Turkey, by securing long-term financing from domestic and international financial institutions and providing ongoing support to the country's private sector. On the other hand, the Bank has played a significant role in helping various industries grasp and embrace the concept of sustainable development as a management approach. Despite fluctuations in financial markets in 2015, TSKB continued to build productive and collaborative relationships with prominent international financial institutions, as part of its long term fund development efforts.

#### **WHILE LOOKING INTO THE FUTURE WITH CONFIDENCE...**

Growing stronger with its deep experience and know-how, strong capital structure and expert team, TSKB will continue to achieve success in its core business areas.

On behalf of our Board of Directors, I would like to thank our shareholders, business partners, employees and clients for their continuous support. I wholeheartedly believe that, thanks to the strong support of our shareholders, TSKB will achieve many new accomplishments that will significantly contribute to our country's development.

Respectfully yours,

**ADNAN BALI**  
Chairman of the Board of Directors

## MESSAGE FROM THE CEO

IN 2015, TSKB CONTINUED TO PROVIDE HIGH QUALITY FINANCING SOLUTIONS TO INVESTMENT PROJECTS OF TURKISH PRIVATE SECTOR.

Esteemed Shareholders, Clients, Colleagues, and Business Partners,

Thanks to its deep expertise in development finance, TSKB holds a distinguished place in the Turkish banking industry. As a result of its successful initiatives in 2015, TSKB's total assets grew up by 32% YoY, reaching TL 20.7 billion, while net income increased by 10.2%, to TL 406.8 million. Average return on equity and return on assets delivered was 17% and 2.2%, respectively. During this fiscal year, the Bank's shareholders' equity expanded by 8.8% to TL 2.5 billion.

### LOANS EXTENDED TO PRIVATE SECTOR TOTALLED USD 1.3 BILLION

In 2015, TSKB continued to provide high quality financing solutions to support investment projects in a wide range of areas; including renewable energy, energy and resource efficiency, electricity distribution, food and public-private partnerships in healthcare and education. Loans extended to the Turkish private sector amounted to USD 1.3 billion in 2015.

Sustainability-themed investments that aim to combat climate change make up half of TSKB's loan portfolio. In this context, the number of renewable energy projects financed by TSKB reached 133. Moreover, total loan disbursements in the scope of energy and resource efficiency to date equaled to USD 500 million, while the number of these projects financed has been more than 100.

On the back of its loan origination efforts in 2015, outstanding APEX loans reached USD 335 million at the year-end, while total loan portfolio of the Bank amounted to TL 13.7 billion with 24.5% expansion on TL terms. Maintaining its high level of asset quality, TSKB will continue to generate healthy growth in the period ahead. Accordingly, our FX-adjusted loan growth guidance for 2016 is 12%.

### DIVERSIFIED FUNDING RESOURCES

In 2015, TSKB signed funding agreements totaling USD 340 million with leading development finance institutions, including the European Investment Bank (EIB), Japan Bank for International Cooperation (JBIC) and International Finance Corporation (IFC). Amidst the vulnerabilities characterizing global markets, TSKB renewed its syndication loan of USD 256 million, agreement of which was signed with the participation of 17 banks, at a roll-over ratio more than 200%. In addition, the Bank's USD 350 million Eurobond issue which was welcomed by more than 2.5 times demand in the market was yet another confirmation of investors' confidence in TSKB.

### LOANS AMOUNTING TO USD 1.3 BILLION

In 2015, TSKB continued to provide high quality financing solutions to support investment projects in a wide range of areas, including renewable energy, energy and resource efficiency, electricity distribution, food and public-private partnerships in healthcare and education. Loans extended to the Turkish private sector amounted to USD 1.3 billion in 2015.

Another important development that took place in 2015 was the D20 Conference, which was organized under Turkey's G20 Presidency, on May 26, 2015 in Istanbul. The main theme of the D20 Conference was "Infrastructure as a Long-term Investment Tool for Sustainable and Comprehensive Growth". Senior managers of development banks, long-term investment finance institutions and top financial institutions in G20 member countries attended the Conference.

In 2016, TSKB plans to continue expanding its funding base by working in close cooperation with domestic and international financial institutions.



ÖZCAN TÜRKAKIN CEO AND BOARD MEMBER

#### PIONEER OF SUSTAINABILITY IN THE BANKING INDUSTRY

In addition to financing sustainable development projects, TSKB continued to support climate-related projects at the international level. To that end, our Bank signed the climate pledges made by IDFC (International Development Finance Club) and ELTI (European Long-Term Investors Association) at the 2015 Paris Climate Change Conference (COP21).

#### TSKB WAS INCLUDED IN THE BIST SUSTAINABILITY INDEX

Being traded on the BIST 50 index, TSKB was also included in the BIST Sustainability Index in November 2015.

As Turkey's first "carbon-neutral bank", TSKB has focused on minimizing its environmental impact and continue to record crucial progress which has been a reference for the sector. The fact that our Bank received CDP Turkey's "Climate Disclosure Leadership" award in 2015

has been a proof of our environmental commitment.

Moreover, having been the owner of the second highest corporate governance rating score in the BIST Corporate Governance Index depicted the Bank's commitment to upholding high standards of corporate governance.

#### HIGHLY COMPETENT EMPLOYEES, CONTINUOUSLY IMPROVING TECHNOLOGICAL INFRASTRUCTURE

In 2015, TSKB continued to invest in human resources and technology to maintain its competitive advantage in the industry. In the area of human resource management, we mainly focused on the development programs to prepare our managers for the future, improvement of professional competence and skills, and making our Bank a preferred employer. Meanwhile, our ongoing technology investments aimed to improve our platforms in terms of speed and quality.

#### OUR JOURNEY TO SUSTAINABLE DEVELOPMENT WILL CONTINUE...

I would like to thank everyone who contributed to TSKB's success in 2015. I am confident that, with the unwavering trust and support of all our stakeholders - including our domestic and international business partners, clients, shareholders, and employees - we will continue moving forward on our journey to sustainable development, with new goals and achievements, just as we have over the past 65 years.

Sincerely yours,

ÖZCAN TÜRKAKIN  
CEO and Board Member

## MACROECONOMIC AND SECTORAL EVALUATION

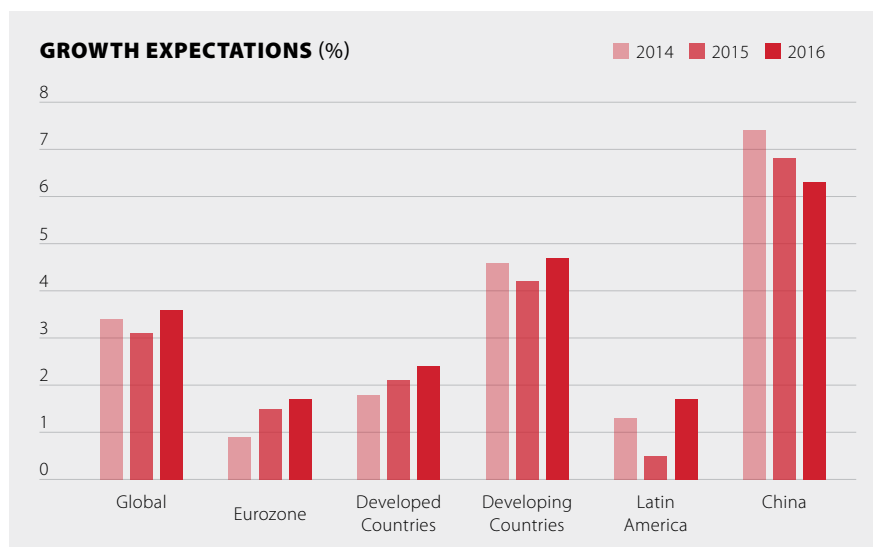
IN 2015, ADVANCED ECONOMIES SUCH AS THE US, EUROPE AND JAPAN ENTERED A PERIOD OF MODERATE RECOVERY WHILE BRAZIL, RUSSIA AND OTHER COMMODITY-PRODUCING COUNTRIES EXPERIENCED A DEEP RECESSION ALONGSIDE CHINA'S ECONOMIC SLOWDOWN.

### TAILWINDS LIFTED IN DEVELOPING COUNTRIES

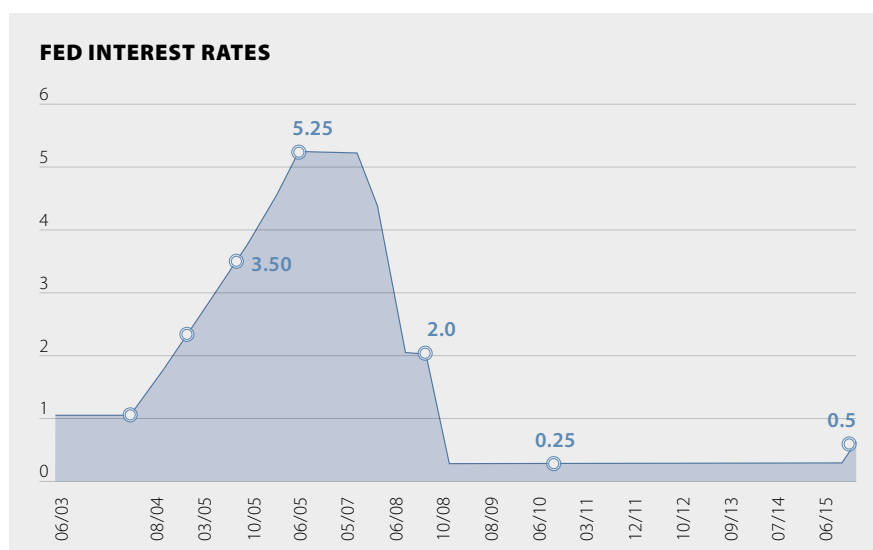
In 2015 which was marked by disappointing global economic growth rates, the pace of economic expansion that had prevailed for a certain time in emerging markets was interrupted. Advanced economies such as the US, Europe and Japan entered a period of moderate recovery while Brazil, Russia and other commodity-producing countries experienced a deep recession alongside China's economic slowdown. In light of these developments, IMF revised down its global growth forecast from 3.4% to 3.1%, and projected 1.5% growth for the Eurozone. Meanwhile, developing countries are expected expand by 4%, which is their slowest pace since 2009.

### A NEW ERA FOR FINANCIAL MARKETS

International capital markets experienced significant changes in 2015. For example, Fed raised its key interest rate, which had previously floated between 0-0.25% since 2008. The European Central Bank slightly loosened its monetary policy, while commodity prices, oil in the first place, fell sharply. The Federal Reserve began to implement a tighter monetary policy, which it had announced in May 2013, by scaling back its bond-buying program in December 2013. Two years later, in December 2015, Fed raised interest rates from a range of 0-0.25% to a range of 0.25-0.50%. As a result, the US dollar grew stronger in international markets and developing countries experienced significant capital outflow as commodity prices plunged. Additionally, the US dollar index (DXY) surged up from 90.3 points to 98.7 points.



Source: IMF



Source: Fed



## CAPITAL OUTFLOWS FROM EMERGING MARKETS

It was not just the recent developments in global economy that paved the way for capital outflows from developing countries, but also those countries' internal issues such as China's economic downturn, political crises in Brazil and South Africa, EU sanctions looming large on Russia's economy and Turkey's period of political uncertainty between the two elections held. According to IIF data, emerging markets have not experienced such large scale capital outflow - amounting to around USD 735 billion - since 1988. As a result, the emerging market currencies depreciated significantly, and commodity exporting developing countries entered a severe recession.

## CHINA'S ECONOMIC GROWTH SLOWED DOWN

The transition of China, which is the world's second largest economy following the US, into a domestic consumption-driven economy caused a slowdown in country's economy. The growth rate, which cut pace declining from 10% to 7.4% in 2014, fell to 6.9% in 2015.

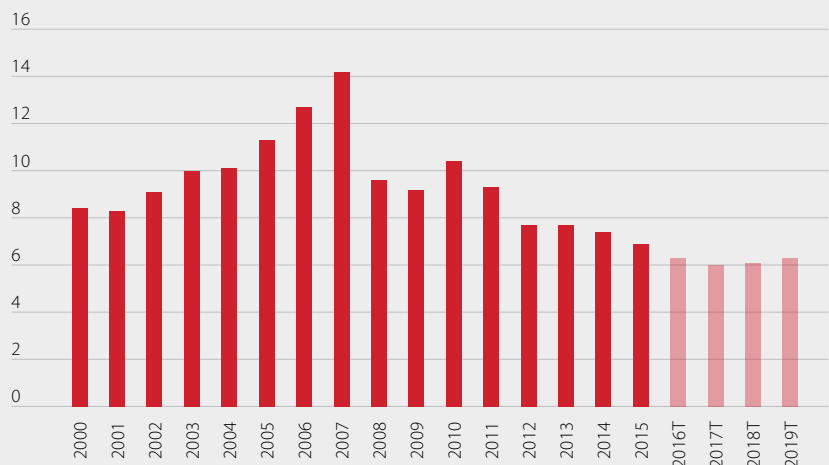
China's economic downturn accelerated the plunge in commodity prices. Furthermore, 2% depreciation in yuan, on the back of a surprising decision in August 2015, caused losses in the currencies of emerging markets, in particular those in Asia. In order to boost domestic consumption during the year, China cut benchmark interest rates five times by 0.25 percentage points - from 5.60% down to 4.35%.

## SHARP DECLINE IN OIL PRICES

In addition to the strengthening US dollar in international markets, the expectation of an increase in oil supply emanating from the agreement reached to curb Iran's uranium enrichment and OPEC's refusal to cut oil production due to market share concerns led to a sharp plunge in oil prices in 2015. After a slight rise at the beginning of the year, the price of oil which started declining from USD 114/bbl levels in mid-2014, inched down to USD 57/bbl and even tested USD 36/bbl level in 2015. Consequently, global oil prices converged to 2008 financial crisis levels.



GROWTH RATE OF CHINA (%)



Source: IMF

CRUDE OIL PRICES (USD/BARREL, BRENT) (2015)



## MACROECONOMIC AND SECTORAL EVALUATION

DESPITE FLUCTUATIONS IN THE GLOBAL ECONOMY, TURKEY  
MAINTAINED ITS MACROECONOMIC DISCIPLINE.

### NEW EXPANSIONARY MONETARY POLICIES IN EUROPE AGAINST DEFLATION

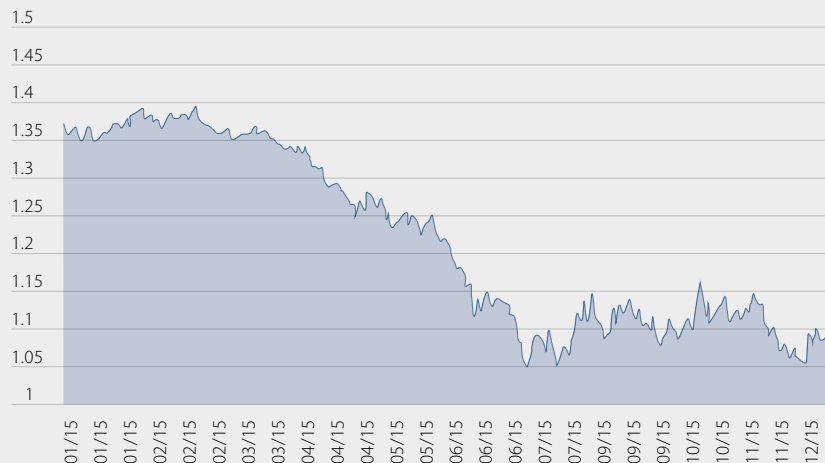
In 2015, the European Central Bank (ECB) also played a key role in global markets. The ECB had signaled that it would consider expanding its asset purchase program before annual inflation dropped to -0.2% in December 2014. In January 2015, the Bank announced the initiation of this program, with monthly bond purchases amounting to EUR 60 billion. Until bond purchases began in March, Europe's inflation rate remained in negative territory. In December 2015, the European Central Bank announced that it would further extend its EUR 1.1 trillion bond-purchase program from September 2016 to March 2017. However, since the amount of monthly bond buying purchases was not changed, the ECB's decision fell short of market expectations. The Euro/ dollar parity, which stood at 1.20 at the beginning of 2015, dropped to a low 1.05, and then rose again to 1.10 after the December meeting.

### TURKEY'S ECONOMY MAINTAINED STRONG GROWTH

In the third quarter of 2015, the Turkish economy expanded 4% YoY, exceeding forecasts and achieving the highest quarterly growth rate since the second quarter of 2014. In the first nine months of 2015, the country's annual growth rate was posted as 3.4%.

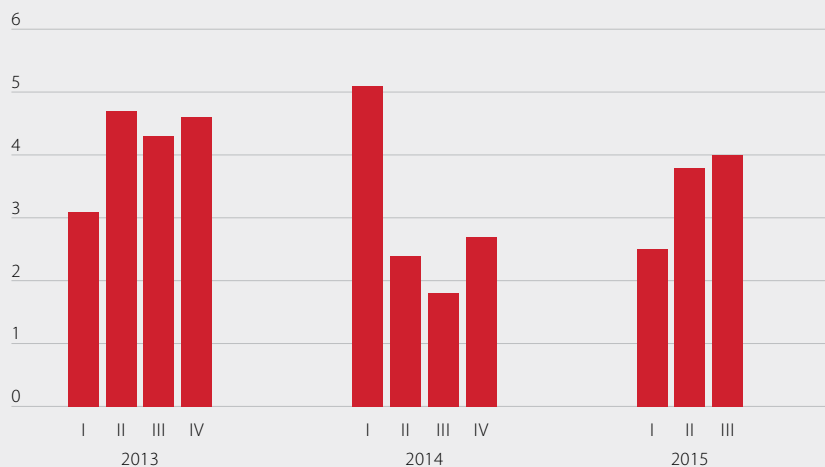
Private consumption, which weakened following the Banking Regulation and Supervision Agency (BRSA)'s measures to curb consumer loan growth and the

**EURO/USD PARITY (2014-2015)**



Source: Matriks

**QUARTERLY GROWTH RATES (%)**



Source: Turkish Statistical Institute

Central Bank's interest rate hikes in 2014, demonstrated an improvement with rebounding automobile and white goods markets in 2015. As a result, it contributed 2.9 percentage points to GDP growth during the first nine months of the year. In 2015, automotive and white goods production expanded by 16% and 9%, respectively. As the expansion trend continued in the financial services and construction industries during the first nine months of the year, GDP growth surpassed the pace of industrial production, which stood at 3.1%. Thanks to the robust dynamics of Turkey's economy, GDP growth is expected to have reached 4% in 2015. On the other hand, the economy is expected to grow by 3.2% in 2016.

## DEVELOPMENTS IN INTERNATIONAL TRADE

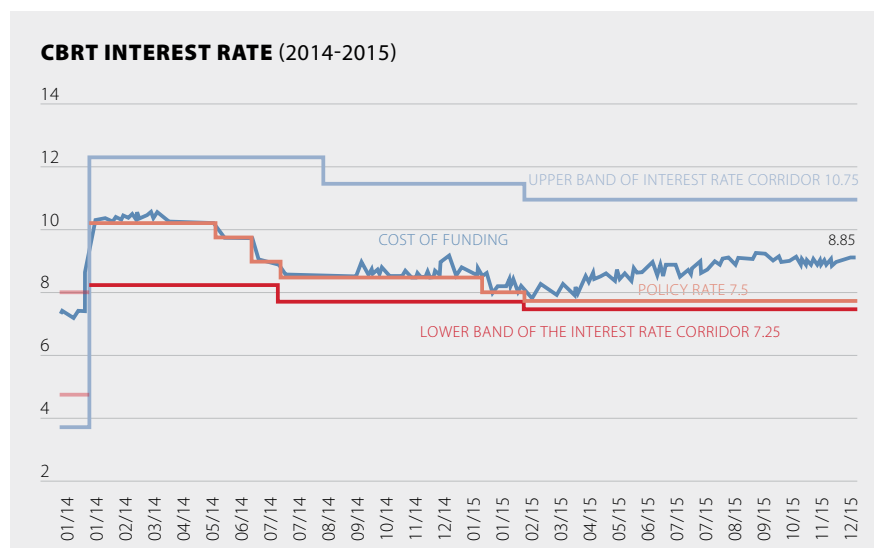
Economic developments around the globe had significant impacts on Turkey's foreign trade balance in 2015. Since Europe has the largest share in Turkey's exports and transactions are mainly in Euros, Turkey's total exports declined by 9% to USD 143.9 billion in 2015, given the depreciation of Euro against US dollar during the year. It is estimated that changes in the parity rate caused exports to fall by about USD 12.9 billion.

Meanwhile, plunging commodity prices put downward pressure on imports. Turkey's total imports dropped down by 14% to USD 207.2 billion. Energy imports fell by 31% while iron & steel imports declined by 16% in 2015.

As a result of these developments, Turkey's foreign trade deficit declined by 25% in 2015 to USD 63.2 billion which is its lowest level in the last six years.

## CURRENT ACCOUNT DEFICIT NARROWED BY 26%

Turkey's improving foreign trade deficit helped reduce the annual current account deficit by 26%, down to USD 32.2 billion in 2015. Consequently, current account deficit / GDP ratio is expected to fall below 5% for the first time since 2009.



Source: CBRT

## RIISING FOREIGN CURRENCY EXCHANGE RATES HAMPERED THE FIGHT AGAINST INFLATION

Consumer Price Index (CPI) went up to 8.81% at 2015 year-end from 8.17% at 2014 year-end. The sharp plunge in commodity prices worldwide, oil in particular, had a limited impact on Turkey's inflation dynamics. This was mainly due to the depreciation in the Turkish lira on the back of capital outflows, along with other emerging markets, and the political uncertainty that prevailed during the period between the two general elections. Since the beginning of 2015 USD/TL, EUR/TL exchange rates and the currency basket have risen by 25%, 12% and 18%, respectively. It is estimated that the decrease in inflation will be limited due to the lagged effect of TL depreciation. The Bank's forecasted inflation rate for 2016 is around 7%.

## RISK PREMIUMS INCREASED IN MARKETS

Domestic markets demonstrated a weak performance on the back of global negative economic developments and political uncertainties emanated from two general elections in Turkey during the year. Turkey also took its toll from portfolio outflows from developing countries into international

markets. Bonds and securities sold by foreign investors amounted to USD 7.2 billion and USD 2.2 billion, respectively. Due to this outflow of foreign investments and the rise in foreign currency exchange rates, the anticipated improvement in inflation rate did not materialize and risk premiums increased. As a result, the 2-year benchmark bond yield rose to 10.86%, up from 8.02% at the beginning of the year. Meanwhile, the BIST-100 index plunged to 71,727 with a 16% contraction in 2015.

## CBRT CHANGED INTEREST RATES AND ANNOUNCED A SERIES OF STEPS TOWARDS NORMALIZATION

Since its 5.5 percentage points interest rate hike in 2014, the Central Bank of Turkey (CBRT) did not resort to lifting the one-week repo rate which is its policy rate for the last two years; instead, the interest rate was cut three times in 2014, and twice in 2015 to its current level of 7.5%. Despite these rate cuts, CBRT announced that it would continue its tight monetary policy given the lagged improvement in inflation. Accordingly, the CBRT soared up its cost of funding from 8.5% at 2014 year-end to 8.9% at 2015 year-end. As of 2015 year-end, lower band of interest corridor (overnight borrowing rate) and upper band of interest corridor (overnight lending rate) are 7.25% and 10.75%, respectively.

## MACROECONOMIC AND SECTORAL EVALUATION

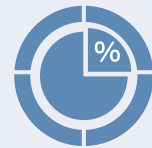
IN 2015, THE TURKISH BANKING INDUSTRY EXPANDED BY 10.5%. TOTAL LOAN VOLUME INCREASED BY 13.5%, WITH LOCAL CURRENCY LOANS UP BY 15% AND FOREIGN CURRENCY LOANS UP BY 9.9%.

In August 2015, the CBRT announced the roadmap to be implemented in line with the global monetary normalization aiming to simplify its monetary policy, a combination of an interest-rate corridor and a policy rate. The announced measures include the following:

- » The interest rate corridor will be made more symmetric around the one-week repo interest rate, and the width of the corridor will be narrowed.
- » Funding provided to primary dealers via repo transactions will be added to their limit of one-week repo auctions without changing the funding cost of primary dealers from the CBRT. Thus, quotation on the interest rate on borrowing facilities provided for primary dealers via repo transactions will be terminated.
- » Collateral conditions will be simplified.
- » Flexibility of FX sale auctions will be increased to reduce exchange rate volatility.
- » FX liquidity will be provided to the financial system through increases in the remuneration rate of Turkish lira required reserves or adjustments of Reserve Options Coefficient (ROC)s.
- » Borrowing limits via foreign exchange deposit accounts will be increased. After the related changes, the size of the FX liquidity that financial system can access from CBRT, which is the sum of FX holdings in ROM and limits of the foreign exchange deposit market, will be considerably above the external debt payments of the banks in the coming year.
- » FX required reserve ratios for the new FX noncore liabilities of the banks will be determined to incentivize maturities of longer than three years, without increasing the costs on the stock of liabilities.
- » If deemed necessary, the remuneration rate of Turkish lira required reserves will be revised in the coming period to reduce the intermediation cost of the banking sector and to support core liabilities.
- » The remuneration rate of the USD-denominated required reserves, reserve options and free reserves held at the CBRT will be held close to the upper end of Fed funds target rate range.

### 26% CONTRACTION IN CURRENT ACCOUNT DEFICIT

Turkey's declining foreign trade deficit helped reduce the annual current account deficit by 26%, down to USD 32.2 billion in 2015.







## TURKISH BANKING SECTOR

**TURKEY'S BANKING SECTOR  
EXPANDED BY 10.5% IN 2015**

The Turkish banking industry grew by 10.5% in 2015. Sector-wide loan was 13.5%, with local currency loans up by 15% and foreign currency loans up by 9.9%. While the annualized pace of loan growth decelerated compared to the previous year, consumer loans grew at a slower rate than corporate loans. With 30.2% increase at year-end, the growth rate of non-performing loans remained subdued relative to previous year's. Meanwhile, the industry's securities portfolio expanded by 3.7%.

With respect to funding side; deposits which is the primary source of funding for the banking sector widened by 9.1%, while local currency and foreign currency deposits went up by 7.3% and 11.9%, respectively. Regarding other sources of funding, bank borrowings and repo funding rose by 6.4% and 8.2%, respectively. During the year, subordinated loans went up by 9.4%. Despite m-t-m losses, shareholders' equity of the sector grew by 12.9% thanks to positive contributions from net profit, increased paid-up capital and revaluation of fixed assets.

During the first half of 2015, the banking sector's net income surged up by 10% over the same period last year, albeit with an annualized increase of 5.9% as of year-end. The industry's net interest income rose by 17.9%, despite the decline in interest income from the securities portfolio. However, the net profit growth was curbed with marked increases in general provision expenses and operating expenses thanks to TL depreciation, as well as rises in swap costs and foreign exchange losses. Moreover, higher than expected fee rebates also put downward pressure on net profit.



The banking sector's capital adequacy ratio, on the other hand, dropped down by 74 basis points (YoY) to 15.56%, owing to expansion in risk-weighted assets on the back of TL depreciation.

In 2015, the CBRT launched new initiatives in the banking industry, such as extending the maturity of loans, reducing costs, and bolstering foreign exchange liquidity. In an attempt to support financial stability, the Central Bank modified the reserve requirement ratios of banks in order to encourage the extension of maturities of foreign exchange-denominated liabilities in the months of January, March and August. In May, the CBRT announced that it had expanded the coverage of liabilities subject to reserve requirements of foreign branches of Turkish banks, to encourage longer-term borrowing. The Central Bank decided to raise the interest rates, paid on Turkish

lira-denominated reserve requirements since November 2014, in April and then in three steps starting from September. The CBRT also decided to pay interest on US dollar-denominated required reserves, reserve options and free reserves, starting in May. CBRT then lowered foreign exchange deposit rates twice after June. In August, it lifted the banks' limits on foreign exchange transactions to boost foreign exchange liquidity.

In 2016, the Turkish banking sector is expected to post 15% loan growth. Assets and deposits are forecasted to expand by 12% and 10%, respectively, whereas net income is expected to pick up by 12%.

## AN EVALUATION OF 2015: STRATEGIES, ACQUIREMENTS AND PROJECTIONS

IN 2015, TSKB EFFECTIVELY MANAGED RISKS THROUGH A DIVERSIFIED LOAN PORTFOLIO AND CREATED VALUE FOR ITS SHAREHOLDERS.

### HIGHLIGHTS

#### ASSET GROWTH REASSURES STAKEHOLDERS

In 2015, TSKB's assets expanded by 32% to TL 20.7 billion. Given the foreign currency assets making up around 73% of the Bank's total assets, TSKB's capital adequacy ratio stood at 14.9% due to the depreciation in the Turkish lira in 2015.

#### LENDING VOLUME BOLSTERS THE REAL ECONOMY

TSKB's total loan portfolio, which is quite strong, grew by 24.5% in TL terms while FX-adjusted loan growth was 5% in 2015. On the back of Bank's fx loan growth which is quite parallel with the sector average, the Bank's total loans amounted to TL 13.7 billion, whereas the loans to assets ratio was realized as 66%.

#### LINES OF CREDIT EXTENDED TO CLIENTS TOTALED USD 2.7 BILLION

As a result of successful loan originations in 2015, TSKB allocated a total of USD 2.7 billion in cash and non-cash loans (excluding APEX loans) to clients. Meanwhile, total amount of new loan agreements reached USD 1.8 billion.

#### CASH LOANS DISBURSED REACHED USD 1.3 BILLION

In 2015, TSKB's loan allocations including APEX loans amounted to USD 1.3 billion. APEX allocations alone totaled USD 65 million during the year.

#### ROBUST ASSET QUALITY THAT HELPS ACHIEVE GROWTH TARGETS

Regarded as the very symbol of trust among its stakeholders with its sound capital structure, TSKB continues to maintain its robust asset quality. In 2015, TSKB's non-performing loan ratio stood at 0.4%, far below the average of the Turkish banking sector.

#### 14.4% PICK UP IN NET INTEREST INCOME

In 2015, TSKB's net interest income increased by 14.4% YoY, climbing to TL 625 million. Meanwhile, the Bank's total operating income went up by 11.6% YoY, to TL 710 million.

#### SUSTAINABLE NET INCOME GROWTH

As a bank which demonstrates a sustainable financial performance, TSKB lifted its net income up by 10.2% YoY to TL 406.9 million in 2015. As of 2015 year-end, the Bank delivered a ROE of 17% and a ROA of 2.2%.

#### A KEY PLAYER IN DEVELOPMENT AND INVESTMENT BANKING

As of 2015 year-end, TSKB ranked second among development and investment banks in terms of asset size. The Bank boasts a 45% market share in long-term foreign currency loans.

#### ACTIVE CUSTOMER BASE EXPANDED BY 14%

As well as carefully maintaining the sectoral diversity of its loan portfolio, TSKB continued to acquire new customers in 2015. The Bank grew its active customer base by 14% over the previous year, and the agreements signed with new customers reached 30% of the total.

#### INVESTMENT LOANS MAKE UP 68% OF THE BANK'S LENDING PORTFOLIO

In addition to investment loans, TSKB provided short-term loans in 2015 to meet the daily working capital needs of its clients. As of year-end, the weight of investment loans, working capital loans, and APEX loans in the total loan book was 68%, 25% and 7%, respectively.

93% of the Bank's loan portfolio is composed of foreign currency loans. The share of US dollar-denominated loans is 57% whereas the Euro-denominated loans correspond to 36% of the loan book. Meanwhile, the share of TL loans in the portfolio dropped to 7% in 2015, down from 10% in 2014.

### MEDIUM- AND LONG-TERM LOANS COMPRISE 89% OF TSKB'S LENDING PORTFOLIO

TSKB allocates medium and long-term loans to its clients in line with the Bank's vision of being pioneer in Turkey's sustainable development. As 2015 year-end, the Bank's loan portfolio could be broken down into:

- » 11% of loans with maturities less than 1 year
- » 59% of loans with maturities of 5 years or longer

On the other hand, 45% of loans with a maturity of 5 years or longer have tenors of longer than 8 years. The average maturity of loans is 5.3 years, whereas the average loan size is USD 16 million.

### A NON-PERFORMING LOAN RATIO WELL BELOW THE SECTOR AVERAGE

TSKB has maintained its non-performing loan ratio far below the industry average for a very long time. Pursuant to the "Regulation on the Provisions," the share of non-performing loans - classified under Groups 3, 4 and 5 - in the Bank's loan portfolio dropped from 1.3% in 2006 to 0.7% and 0.6% in 2008 and 2009, respectively. Subsequently, TSKB's NPL ratio fell to 0.4% in 2011 and to 0.2% in 2014; as of year-end 2015, it stood at 0.4%. In 2015, TSKB continued to stick to its 100% coverage ratio principle.

### DEEP EXPERTISE IN PROJECT FINANCE

Thanks to its extensive experience and know-how in project finance, TSKB holds a 5% share of the market according to the data released by Banks Association of Turkey.

In 2015, TSKB disbursed USD 600 million in project finance cash loans. Energy power plant projects took the lion's share of cash loans, followed by a range of other areas such as electricity distribution, other privatizations, logistics and real estate.

TSKB, for the first time, participated the finance of integrated healthcare campus projects under the scope of public-private partnerships in 2015. As well as extending long-term investment loans, the Bank continued to offer short and medium-term working capital loans to meet the operational needs of its project finance clients.

2015 commenced as a lackluster year thanks to parliamentary elections. Moreover, the re-elections exacerbating the uncertainties in tandem with currency fluctuations caused investment appetite to weaken seriously.

With respect to 2016 outlook; the Bank management expects the investment demand, energy production being in the first place, to pick up relatively and the privatization projects that are postponed in 2015 to come to agenda in 2016, indicating a relatively buoyant year in the scope of project finance.

### INDUSTRIES/AREAS THAT TSKB PROVIDES PROJECT FINANCE

#### Energy

- » Electricity power plants
- » Electricity distribution projects
- » Natural gas distribution projects
- » Environment, energy and resource efficiency projects

#### Real Estate

- » Tourism and hotel investments projects
- » Commercial real estate and shopping mall investments

#### Infrastructure/Transportation

- » Logistics, transportation
- » Telecommunication

#### Public-private partnership (PPP)s

- » Integrated healthcare campuses

### THE WEIGHT OF INVESTMENT LOANS IN THE BANK'S LENDING PORTFOLIO ROSE TO 68%.

In addition to investment loans, TSKB provided short-term loans in 2015 to meet the daily working capital needs of its clients. As of year-end, the share of investment loans, working capital loans, and APEX loans in the total loan book was 68%, 25% and 7%, respectively

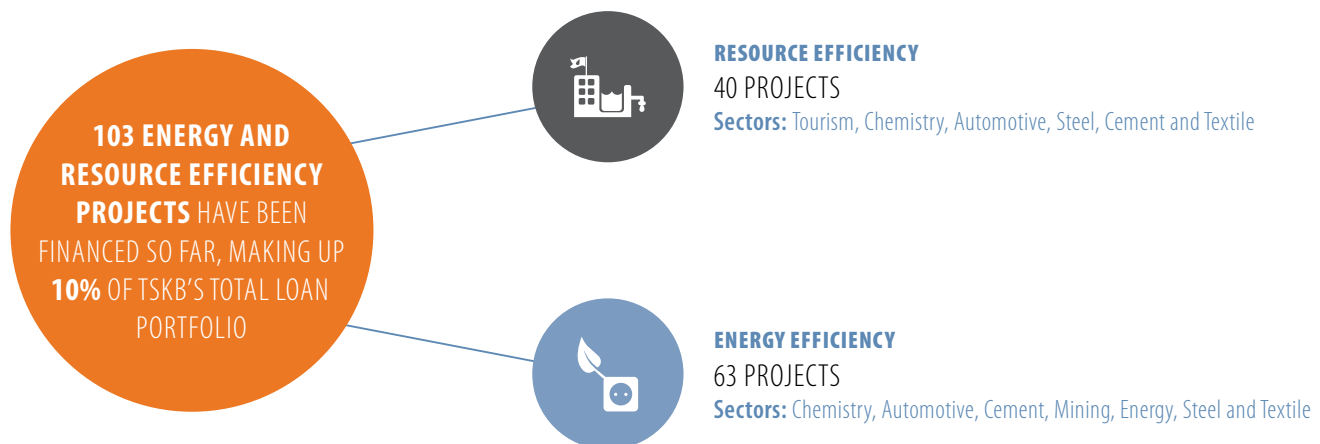


### SECTORAL BREAKDOWN OF LOAN PORTFOLIO (%)



## AN EVALUATION OF 2015: STRATEGIES, ACQUIREMENTS AND PROJECTIONS

OVER THE LAST 6 YEARS, TSKB HAS PROVIDED MEDIUM- AND LONG-TERM FINANCING TO TURKISH PRIVATE SECTOR TO SUPPORT EFFORTS TO IMPROVE RESOURCE EFFICIENCY.



### THE RENEWABLE ENERGY SECTOR AND TSKB

The share of loans with a sustainability theme in the TSKB's loan portfolio stood at 50% in 2015. The effective and accurate use of renewable energy resources is of tremendous importance in a period marked by tackling climate change and in Turkey's transition to a low carbon economy. Renewable energy resources also have a key role in reducing Turkey's dependence on foreign resources.

### TOTAL INSTALLED CAPACITY FINANCED REACHED 4,177 MW

TSKB has been supporting projects in the field of renewable energy in Turkey since 2002, by transferring long-term funds. TSKB commands a 7% market share in the sector with respect to energy loans. The energy projects to which TSKB has transferred funds include different projects ranging from hydroelectric power plants to solar power, wind power and geothermal power plants.

The total planned installed capacity of the 133 projects financed stands at around 4,177 MW which corresponds to 13% of Turkey's total installed renewable energy capacity.

Within the scope of renewable energy; TSKB focused mainly on solar projects, as well as wind and geothermal power plant projects in 2015. The Bank financed a total of 21 new solar power plant projects, which accounted for 11% of all new solar capacity installed in Turkey as of 2015 year-end. However, the weight of energy production in the Bank's loan portfolio did not change in 2015. TSKB anticipates that geothermal and solar power plant investments will continue at full speed in the year ahead; accordingly, the Bank plans to expand its financial support in this area.

The number of renewable energy projects that has been financed until the end of 2015 and came into operation is 97. Furthermore, the total installed capacity of the projects

in operation stands at 3,662 MW. On the other hand, the total amount of energy production investments financed between 2003 and 2015 reached USD 7.8 billion, whereas the total amount of commitments for the related loans has been USD 2.9 billion.

### LOANS UNDER THE SCOPE OF RESOURCE EFFICIENCY

Over the last six years, TSKB has provided medium- and long-term financing to Turkish private sector to support efforts to improve resource efficiency. To date, the Bank has extended around USD 500 million in loans and supported more than 100 projects within the scope of manufacturing processes and waste management as well as energy and resource efficiency.

Energy and resource efficiency loans made up 10% of the Bank's loan portfolio at 2015 year-end. Given the growing focus on the fight against climate change, TSKB expects





NUMBER OF PROJECTS	NUMBER OF PROJECTS UNDER CONSTRUCTION	INSTALLED CAPACITY (MW)
79 Hydroelectric Power Plants	3	2,950
5 Geothermal Power Plants	2	326
20 Wind Farms	7	779
6 Biomass Power Plants	3	95
23 Solar Power Plants	21	27
<b>TOTAL 133 POWER PLANTS</b>	<b>36</b>	<b>4,177</b>

the prominence of the energy and resource efficiency efforts to surge up going forward. As the pioneer of sustainable banking practices in Turkey, TSKB plans to continue financing investments - energy and resource efficiency projects of companies that operate in a range of industries being in the first place - that aim to support sustainable development in 2016.

#### TSKB BOLSTERS SMEs

Since its foundation, TSKB has bolstered SMEs, which are of paramount significance for the Turkish economy. The Bank finances the investment projects of SMEs, which are evaluated according to terms and conditions of the funds secured from supranational institutions, in a wide range of areas including technology upgrading, capacity expansion, energy efficiency, environment, etc. as well as meeting their

working capital demands. As of 2015 year-end, the weight of loans extended to SMEs in the total loan book was 16%. EUR 100 million SME-Midcap loan facility obtained from the European Investment Bank (EIB) in 2015 will help increasing support to small and medium sized enterprises and mid-cap companies.

#### CONTINUOUSLY SUPPORTING THE REAL SECTOR

In line with its founding mission, TSKB deliver effective solutions to meet the long-term funding needs of its private sector clients while contributing to the sustainable growth of the Turkish economy. Over the last five years, the Bank has directly provided USD 7.2 billion of loans to the real sector, in areas such as renewable energy, energy efficiency, infrastructure and logistics.

When loans extended to SMEs via APEX lending which amounted to USD 500 million is also taken into account, total funding provided during the same period to the real sector reaches USD 7.7 billion.

#### A WELL-BALANCED NON-CASH LOAN PORTFOLIO

TSKB also offers letters of guarantee and intermediary services for import and other international trade transactions with respect to its clients' investment and infrastructure projects. In 2015, the amount of non-cash loans provided to clients surged up by 14% to USD 614 million. During the year, the Bank focused on meeting the non-cash loan needs of its clients operating in the energy distribution, energy production, metals and machinery industries.

## AN EVALUATION OF 2015: STRATEGIES, ACQUIREMENTS AND PROJECTIONS

IN 2015, TSKB UNDERTOOK SUCCESSFUL EFFORTS TO SECURE NEW FUNDING FROM INTERNATIONAL FINANCIAL INSTITUTIONS AND RAISE FUNDS IN THE CAPITAL MARKETS.

### CLOSE COOPERATION WITH DEVELOPMENT FINANCE INSTITUTIONS

As one of the most widely recognized Turkish banks in international financial markets, TSKB works in close cooperation with leading regional and multinational financial institutions. These include the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), Kreditanstalt für Wiederaufbau-KfW (German Development Bank), Islamic Development Bank (IDB), French Development Agency (AFD), International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD).

In 2015, TSKB undertook successful efforts to secure new funding from development finance institutions, as detailed below:

#### JAPAN BANK FOR INTERNATIONAL COOPERATION (JBIC) - RENEWABLE ENERGY AND ENERGY EFFICIENCY LOAN (USD 150 MILLION)

TSKB secured a USD 150 million "JBIC Green Loan" facility from the Japan Bank for International Cooperation (JBIC) under the guarantee of Republic of Turkey Prime Ministry Undersecretariat of Treasury (Turkish Treasury). The aforementioned facility will be channeled to investment projects in renewable energy and energy efficiency, which aim to reduce greenhouse gas emissions. The loan agreement was signed on March 27, 2015. This is the first loan facility obtained from this institution since 2000.

### EUROPEAN INVESTMENT BANK (EIB) - SME MID-CAP LOAN (EUR 100 MILLION)

TSKB obtained a EUR 100 million loan facility from the European Investment Bank (EIB) to provide financing to small and medium sized enterprises and mid-cap companies across Turkey. The loan agreement was signed on May 26, 2015, under the guarantee of the Turkish Treasury.

### INTERNATIONAL FINANCE CORPORATION (IFC) - RENEWABLE ENERGY, ENERGY AND RESOURCE EFFICIENCY LOAN (USD 75 MILLION)

On September 21, 2015, TSKB signed a USD 75 million loan agreement with IFC to finance investment projects within the scope of renewable energy, energy and resource efficiency across Turkey.

### STRONG RELATIONSHIPS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

In 2015, TSKB further strengthened and deepened its relationships with international financial institutions. The Bank carried out the following activities in 2015:

#### SYNDICATION LOAN

On July 3, 2015, TSKB renewed its syndication loan of USD 256 million, signed with the participation of 17 foreign banks, at a more than 200% roll-over rate. From five new banks that participated in this facility, three of them took place in a syndication loan extended to TSKB for the first time.

### RISE IN ECA LOANS

In 2015, TSKB cooperated with export credit agencies and correspondent banks in various countries as part of its project finance activities. The amount of ECA loans totaled USD 35 million in 2015.

### POLICY ISSUANCES AND BILATERAL BORROWING AGREEMENTS

As part of its cash-flow management efforts, TSKB raised USD 85 million from foreign trade financing operations in 2015.

### GLOBAL MEDIUM-TERM NOTE INITIATIVE AND THE SECOND EUROBOND ISSUANCE

Following its first Eurobond issue, TSKB set up a Global Medium-Term Note program (GMTN) to facilitate issuances with shorter term maturities. This program also aimed to reach a different segment of fund providers and to help managing the timing of the issuances efficiently.

TSKB mandated BNP Paribas, Citibank, Commerzbank, ING and Standard Chartered Bank to arrange its second Eurobond issuance carried out under the GMTN program. The Bank held investor meetings in London, Abu Dhabi, Dubai and Frankfurt for its USD 350 million Eurobond issue, which was structured as "Regulation S". The aforementioned issuance, which was also the last transaction of the year as an issuance undertaken by a conventional bank, received 3 times investor demand.



950 USD  
MILLION

**IN 2015, TSKB SECURED USD  
950 MILLION OF FUNDING FROM  
INTERNATIONAL MARKETS  
TO SUPPORT INVESTMENTS  
UNDERTAKEN BY THE PRIVATE  
SECTOR.**

## LONG-TERM FUNDS SECURED BY TSKB 2011-2015

### 2011

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

Amount: USD 180 million and EUR 87.8 million  
Maturity: 28 years

#### EIB - Loan for SMEs

Amount: EUR 75 million  
Maturity: 12 years

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

Amount: USD 100 million and EUR 69.3 million  
Maturity: 28 years

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

Amount: EUR 50 million  
Maturity: 5 years

### 2012

#### IFC - Renewable Energy and Energy Efficiency Loan

Amount: USD 75 million  
Maturity: 7 years

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

Amount: EUR 75 million  
Maturity: 12 years

#### IDB - Restricted Mudaraba

Amount: USD 100 million  
Maturity: 10 years

#### KfW - Renewable Energy and Energy Efficiency Loan

Amount: USD 125 million  
Maturity: 12 years

### 2013

#### EIB - Sustainable Tourism and Energy Efficiency Loan

Amount: EUR 100 million  
Maturity: 10 years

#### IFC - Environment and Resource Efficiency Loan

Amount: USD 75 million  
Maturity: 7 years

#### CEB - APEX Loan

Amount: EUR 100 million  
Maturity: 7 years

#### KfW - Resource Efficiency Loan in Industry

Amount: EUR 100 million  
Maturity: 10 years

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

Amount: EUR 150 million  
Maturity: 8 years

### 2014

#### IDB - Restricted Mudaraba

Amount: USD 220 million  
Maturity: 15 years

#### World Bank - Loan for Innovative Access to Finance Project Loan

Amount: USD 190 million and EUR 44.1 million  
Maturity: 28 years

#### Citibank - OPIC - Energy Efficiency and Renewable Energy Loan

Amount: USD 40 million  
Maturity: 4-8 years

#### AFD - Sustainable Tourism and Innovative Energy Projects Loan

Amount: EUR 60 million  
Maturity: 10 years

#### EBRD - Resource Efficiency Loan

Amount: EUR 50 million  
Maturity: 7 years

#### TSKB Eurobond

Amount: USD 350 million  
Maturity: 5 years

#### KfW - Resource Efficiency and Environmental Measures in Industry Loan

Amount: EUR 150 million  
Maturity: 12 years

#### OeEB - Renewable Energy and Energy Efficiency Loan

Amount: EUR 20 million  
Maturity: 12 years

#### EIB - TSKB Energy and Environment Loan/A

Amount: EUR 100 million  
Maturity: 12 years

### 2015

#### JBIC - Renewable Energy and Energy Efficiency Loan

Amount: USD 150 million  
Maturity: 12 years

#### EIB - Loan for SMEs and Mid-Caps

Amount: EUR 100 million  
Maturity: 8 years

#### TSKB Eurobond

Amount: USD 350 million  
Maturity: 5 years

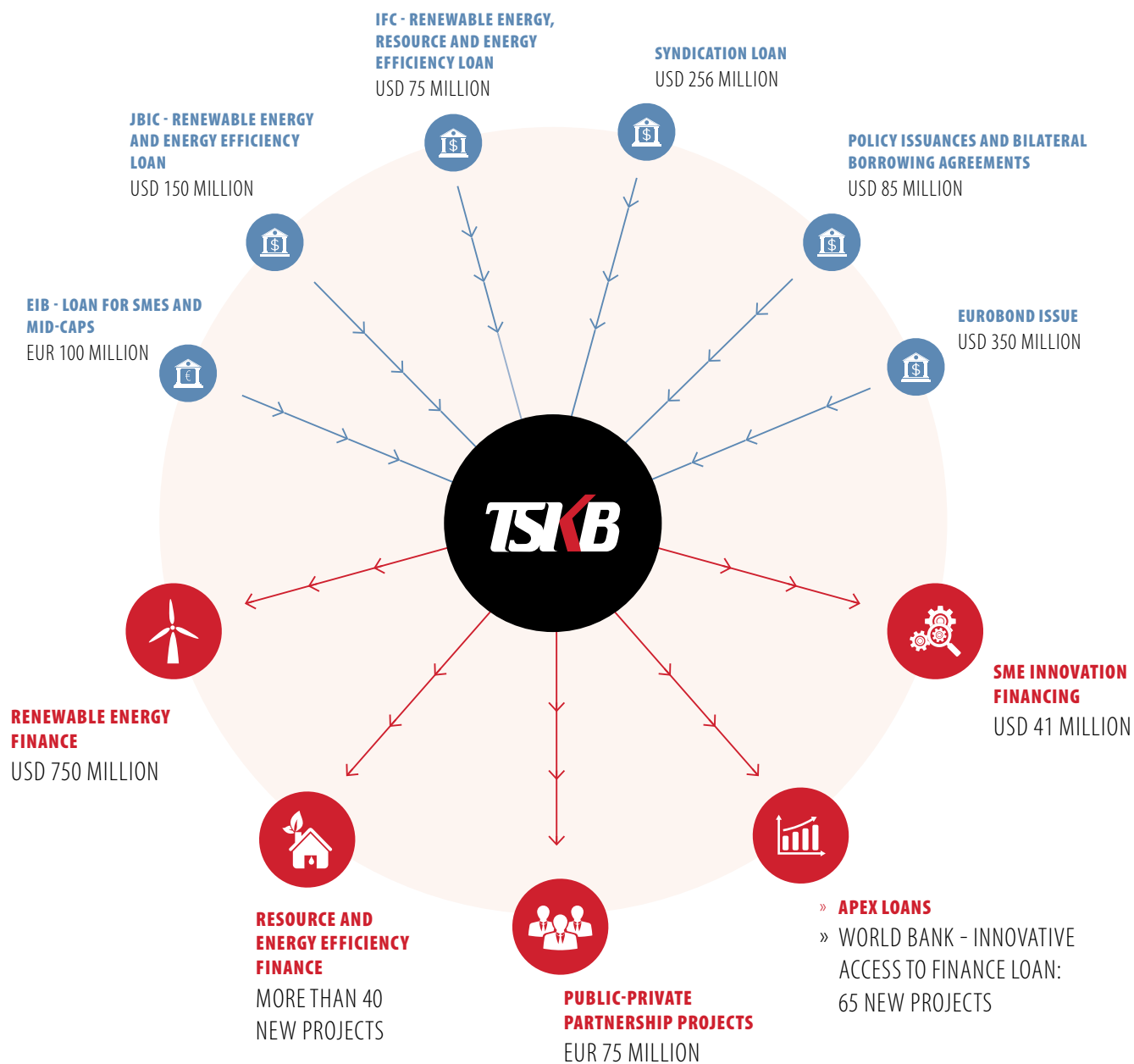
#### IFC - Renewable Energy, Resource and Energy Efficiency Loan

Amount: USD 75 million  
Maturity: 7 years



TSKB'S DEVELOPMENT FINANCE MODEL

## FUNDS (2015)



## LOANS (2015)

## AN EVALUATION OF 2015: STRATEGIES, ACQUIREMENTS AND PROJECTIONS

TSKB BEGAN WORKING WITH PARTICIPATION BANKS AND FACTORING COMPANIES, AS PART OF “THE INNOVATIVE ACCESS TO FINANCE LOAN” SECURED FROM THE WORLD BANK UNDER APEX BANKING EFFORTS.

### TURKEY'S APEX BANKING PIONEER

TSKB, the pioneer of APEX banking in Turkey, continued to allocate international themed loans, EFIL loans obtained from the World Bank being in the first place, to its clients in 2015. In addition to leasing companies and commercial banks, the Bank also began working with participation banks and factoring companies as part of the Innovative Access to Finance Loan, which TSKB secured from the World Bank in 2014 under its APEX banking efforts. To date, TSKB has effectively cooperated with 29 intermediary institutions as part of its APEX banking activities.

In 2015, loans provided through APEX banking amounted to USD 65 million, which makes total outstanding APEX loans account for 7% of TSKB's loan portfolio. TSKB is the preferred business partner of the World Bank in Turkey under its EFIL loan program. As of year-end, TSKB actively participated in four EFIL programs and extended USD 1,208 million in loans to 649 companies. EFIL loans aim to increase companies' exports while creating new business areas and bolstering employment.

TSKB provides SME loans which support the growth in employment through the channel of commercial banks and financial leasing companies within the scope of other APEX loans. Accordingly via USD 452 million of loans, TSKB financed 1,036 SMEs, contributing to nearly additional 5,567 employment.

In 2015, TSKB extended a total of USD 40.1 million in loans to 44 companies under the Innovative Access to Finance Project (IA2F) loan agreement. TSKB signed the agreement with the World Bank, under the guarantee of Turkish Treasury, with the target of financing SMEs and medium-sized exporters across Turkey.

### A KEY PLAYER IN THE CORPORATE FINANCE MARKET

In 2015, TSKB further widened its brand recognition that it owns with respect to public offerings and privatizations, into the market of mergers and acquisitions among medium-sized enterprises.

As transaction volumes fell in 2015, TSKB focused heavily on origination activities during the year and obtained 11 new mandates. With the closing of the real estate sale deal provided under the scope of mergers and acquisitions advisory, the Bank completed one transaction in 2015 successfully. TSKB aims to gradually increase the number of transactions it conducts in this area going forward.

Due to slack demand emanating from both domestic and global uncertainties in 2015, the number of the initial public offerings realized in the market was merely 4, with transactions amounting to TL 110 million. Accordingly, several large-scale IPOs, including the IPO of Borsa Istanbul, were postponed. TSKB continues actively undertaking efforts in the IPO market, one of its areas of special expertise.

Private sector bond market performed well in the first half of 2015, closing the year relatively above the previous year, owing to the active participation of the financing companies to the market. Meanwhile, TSKB adopted a more cautious stance and undertook one corporate bond issuance. In 2016, monetary policies of Fed and European Central Bank as well as foreign exchange rates and the level of economic expansion will be closely monitored by the bond market.

In terms of valuation services offered under financial advisory, an area in which TSKB has strong brand recognition, 2015 was a quite successful year for the Bank.

## TSKB - PRIMARY INDICATORS FOR APEX LOANS

PROGRAM TITLE	YEAR	AGREEMENT AMOUNT	NUMBER OF COMPANIES THAT RECEIVED LOAN (AS OF 2015 YEAR-END)	CURRENT STATUS OF PROGRAM
<b>SME and Export Support</b>				
Innovative Access to Finance (IA2F)	2014	USD 250 million	44	Ongoing
<b>Export Support</b>				
EFIL IV Additional Finance	2011	USD 300 million	137	Completed
EFIL IV	2008	USD 300 million	133	Completed
EFIL III	2005	USD 305 million	168	Completed
EFIL II	2004	USD 303 million	211	Completed
<b>SME</b>				
CEB IV APEX	2013	EUR 100 million	416	Completed
CEB III APEX	2009	EUR 100 million	223	Completed
KfW APEX	2004	EUR 7.7 million	54	Completed
EIB APEX	2005	EUR 150 million	343	Completed

In addition to corporate finance services, TSKB undertook business/product development efforts in 2015. The Bank renewed its operations licenses from the Capital Markets Board. Another crucial development was TSKB's participation in the Turkish Growth and Innovation Fund, established by the European Investment Fund (EIF), with a capital commitment of EUR 20 million. With this new initiative, TSKB plans to further increase its support to entrepreneurs in Turkey through alternative channels, in line with its vision and mission.

#### ECONOMIC RESEARCH ACTIVITIES

On the back of its extensive experience in conducting industry and market analysis and effective company positioning; TSKB delivers bullet-ins, research reports and periodic market commentary to its clients on a regular basis. In addition to these services offered to clients thanks to its 65 year of sectoral accumulated know-how, marketing and funding efforts of the Bank are also supported directly and indirectly. In 2016, TSKB plans to continue undertaking high quality research studies for not only its clients but also internal uses.

#### DEEP EXPERIENCE IN CAPITAL MARKETS...

In 2015, TSKB significantly increased its transaction volume in capital markets, foreign exchange and money markets to achieve its revenue targets for the year. The positive effects of falling oil prices on Turkish lira asset prices were felt in early 2015. However, from February through year-end, sharp sell-offs led to an increase in market volatility. The monetary policies of advanced economies caused a shift in the balance of global markets, negatively affecting developing countries, including Turkey. TSKB adjusted its balance sheet to these new circumstances by taking a more cautionary approach at portfolio management. It implemented a flexible and profitable management strategy, which helped the Bank identify and evaluate new market opportunities.

In 2015, TSKB increased its transaction volume in structured derivative products, spot/forward foreign currency purchases and sales, TL/foreign currency lending and borrowing transactions carried out in the over-the-counter and organized markets with domestic and international financial institutions. This performance helped the Bank successfully achieve its revenue targets for the year. In addition to achieving its profit target under these challenging market conditions, TSKB also managed to further diversify its treasury product portfolio and increase customer satisfaction. Adopting a solution-oriented approach, the Bank continued to provide its clients treasury products while expanding its transaction volume in gold swaps, swaption, and TRS (Total Return Swap).

Under a changing market environment, TSKB plans to implement policies aimed at boosting profitability, increasing and diversifying client transactions, improving portfolio management and liquidity management in 2016.

## AN EVALUATION OF 2015: STRATEGIES, ACQUIREMENTS AND PROJECTIONS

TSKB HAS BEEN AMONG THE BIST 50 COMPANIES INCLUDED  
IN THE BIST SUSTAINABILITY INDEX IN NOVEMBER 2015.



### INFORMATION TECHNOLOGIES

In line with the goals and principles of enterprise architecture stated in TSKB's strategic plan, the Bank successfully undertook projects that led to improvements in customer satisfaction, service quality, process efficiency, and organization and compliance in 2015. The focus of these projects was process improvement and transformation of the application infrastructure.

TSKB created a new common database infrastructure to follow company information, evaluation/monitoring reports and projects financed; it also centralized credit line structures. The Bank undertook new projects with the aim of increasing compliance between performance management system and corporate goals, and revision of APEX loan processes and infrastructure. In addition, the Bank made process and infrastructure upgrades that will contribute to the efficiency of the purchasing and control processes; it also established new reporting platforms enriched with new content for senior management.

In 2015, TSKB carried out infrastructure and integration projects on information technologies that will support the Bank's strategic goals. The Bank completed the following projects in the areas of IT application infrastructure, hardware infrastructure and information security:

- » The main data storage system was renewed to provide uninterrupted, secure and high level technological support for banking transactions.
- » The Bank also carried out upgrades on remote access infrastructure and made improvements on database systems.
- » Technological infrastructure and image distribution systems were installed in the new meeting rooms and work areas.
- » Functional adjustments were made on the electronic in-house business process flow application.

In 2016, TSKB plans to continue its strategic efforts in the areas of banking processes, IT hardware and application infrastructure. The Bank will focus on completing upgrades in reporting and analysis systems that will support marketing and product development activities; implementing projects that will boost efficiency in the loan evaluation process; carrying out efforts related to compliance with legal and regulatory requirements; and undertaking efforts to raise efficiency in resource allocation and APEX crediting processes. TSKB aims to complete its standardization and digitization efforts on application and reporting systems infrastructure that started in 2015. Additionally, the Bank plans to carry out projects to renew virtualization platform servers and log management application to create an integrated communication infrastructure and to improve data backup and emergency center infrastructure.



### INVESTOR RELATIONS

While BIST 100 and BIST Banking Index plunged by 14.3% and 22.4% respectively, TSKB's stock price dropped by 11.8%. From January 1, 2015 to year's end, TSKB's share price outperformed BIST 100 by 3% and the BIST Banking Index by 13.7%. The Bank's market capitalization totaled TL 2.7 billion, while the share of foreign investors in TSKB's free float hit 59%. According to the shareholders' register list data received from the Central Registry Agency, around 30% of shares in TSKB's free float belongs to funds based in the USA, which is followed by the United Kingdom (15%), Luxembourg (9%), Norway (8%) and Ireland (5%).

### EFFORTS TO IMPROVE THE INVESTOR BASE

TSKB stock, which is listed on the BIST 50, also started to trade on several other indices during the year. The ISIST Index, which was launched in April 2015, included the Bank's shares along with other publicly held subsidiaries of Isbank. On the other hand, after not having been subjected to sustainability evaluation last year since it was not in the BIST 30, TSKB has been among the BIST 50 companies included in the Sustainability Index in November owing to its leadership in sustainable banking. The aforementioned developments are expected to positively contribute to the liquidity of the Bank's shares over the long-term.



Thanks to TSKB's investor relations efforts, the investor base continues to expand on the back of the Bank's participation in meetings, conferences, roadshows, and other events. In 2015, the Bank held a total of 134 investor relations meetings, 79 of which took place abroad. 30% of these investors who attended these meetings were new investors. There is a rising interest among analysts and investors for the Bank's semiannual teleconferences, which follow the announcement of financial results. More than 30 analysts and investors on average attended the teleconferences held in 2015.

In 2016, as in the previous year, the Bank plans to continue efforts to expand the investor base by holding at least two teleconferences following the announcement of the financial results, and by attending meetings, conferences and roadshows. While complying with legal and regulatory requirements, the Bank will maintain its effective communications established with analysts and investors.

#### "SECOND HIGHEST CORPORATE GOVERNANCE RATING"

TSKB had the honor to be granted the "Company with the Second Highest Corporate Governance Rating" award at the Ninth Corporate Governance Summit, held by the Corporate Governance Association of Turkey (TKYD) in 2015. TSKB also actively managed the processes in the "Multi-Stakeholder Approach for Transparency in Corporate Reporting" project carried out by Transparency International Turkey; and consequently ranked first among BIST 100

companies. With the target of maintaining its place among the flagship companies since it was first rated in 2009, TSKB continues to further improve itself going forward.

Major improvements carried out by the Bank in 2015 include:

- » The Donation and Grants Policy which was prepared and published in 2014, was approved by the General Assembly.
- » Independent Board Member's declaration of independence was published within the Annual Report.
- » A TKYD training course was organized for the personnel who are in the insider information list.

- » Pursuant to the Woman Board Member Policy published in 2014, the board evaluated the current performance regarding the level of target achieved.
- » An instructive presentation covering the crucial issues pertaining to Subsidiaries' Board Members was prepared.

As a result of these efforts, the Bank's corporate governance rating rose to 9.52, up from 9.44 (out of 10). As of December 31, 2015, TSKB's corporate governance rating is the second highest among companies included in the BIST Corporate Governance Index.

#### TSKB'S CORPORATE GOVERNANCE RATING

CATEGORIES	WEIGHT	SCORE
Shareholders	0.25	9.49
Public Disclosure and Transparency	0.25	9.65
Stakeholders	0.15	9.85
Board of Directors	0.35	9.31
<b>TOTAL</b>		<b>9.52</b>

## TSKB'S SUBSIDIARIES

TSKB PROVIDES A WIDE RANGE OF SERVICES FOR ITS CUSTOMERS VIA ITS SUBSIDIARIES.

### **YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş. (YATIRIM FİNANSMAN SECURITIES)**

Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman Securities), which was Turkey's first capital market corporation, was founded on October 15, 1976 with the participation of 13 large 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, backed by its strong capital structure and 39-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 and technology in 2015.

Having been licensed as the "Brokerage House with Broad Authority" by Capital Markets Board (CMB) pursuant to Capital Market Law and CMB communiques renewed in 2015, Yatırım Finansman continues to differentiate itself with the services it provides thanks to its technology and systems infrastructure investments.

Offering rapid and high-quality services to its domestic and foreign corporate and individual investors through its extensive investor base, branch network and mobile applications, 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 TL 73.7 million with total assets of TL 551.1 million at the end of 2015.

With 14 service points in strategic locations across Turkey and over TL 3.3 billion in client assets as of year-end 2015, Yatırım Finansman continues to raise its level of service quality and commands a prominent position among the country's brokerage firms. Assets under the Company's management increased from TL 277.9 million at end-2014 to over TL 332 million at end-2015.

In 2015, as part of its cooperation with Borsa İstanbul, Yatırım Finansman organized seminars in various cities in Turkey to raise awareness with respect to various financial instruments, derivative products in the first place, among investors while contributing to the development of financial literacy in general.

During its 40<sup>th</sup> year of operation in 2016, Yatırım Finansman plans to further enrich its derivative product portfolio and invest in technology while using its unique service quality approach to gain market share and bolster its leadership in the capital markets.

[www.yf.com.tr](http://www.yf.com.tr)

### **TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. (TSKB GYO) (TSKB REAL ESTATE INVESTMENT TRUST - TSKB REIT)**

Founded in 2006, TSKB REIT is a portfolio management company that primarily aims to create and develop a profitable real estate portfolio. TSKB REIT, of which TSKB holds a subsidiary share of 70.84%, is supported by the Bank's 65 years of experience and know-how. As a capital market organization, TSKB REIT can invest in real estate, capital market instruments based on real estate and real estate projects, and in rights based on real estate and capital market instruments. In addition, it can establish ordinary partnerships to develop certain projects and engage in other activities permitted under the Capital Markets Board's relevant communiqué. The fundamental values of TSKB REIT are consistency, transparency, quality, social responsibility, client 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 12 million, TSKB REIT's total assets had reached TL 422 million as of December 31, 2015 on the back of new investments, and the size of rentable area under its management increased from 3,000 m<sup>2</sup> to 64,000 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 knowledge, experience, expertise and corporate approach of its founder and shareholder, TSKB. Within this overall framework, the Company seeks to formulate and manage a range of properties that are

diversified by both type and geographical location. TSKB REIT's investment activities focus mainly on commercial properties, but investment opportunities of residence and other areas may also be brought to 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. When assessed in terms of appraisal value, 45% of TSKB REIT's real estate investments are comprised of office buildings, followed by shopping malls (39%) and hotels (16%). The Company's real estate portfolio includes the following:

- » The Pendorya Shopping Mall opened on December 17, 2009 with approximately 80,648 m<sup>2</sup> of indoor space and 30,504 m<sup>2</sup> of rentable space located on E-5 motorway in Pendik,
- » Two office blocks with 17,827 m<sup>2</sup> of indoor area, located in Findikli, Istanbul,
- » The Tahir Han located in Karaköy, Istanbul,
- » TSKB REIT's real estate investments also include 50% of Divan Adana Hotel and its free areas, which is located in Adana city center and that started to operate in September 2015.

#### TSKB REIT and Capital Markets

Enabling real estate properties to be 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 pursuant to regulations; its shares have been traded on the Borsa Istanbul Collective Investment Products and Structured Products Market under the TSGYO ticker since April 2010.

#### Expectations in 2016

TSKB REIT plans to continue efforts to increase its steady rent revenue stream from Pendorya Shopping Mall in 2016. The Company also plans to move forward with the Divan Adana Hotel, which commenced its operations on September 1, 2015, in a way that will create competition in the area. Shaping its strategy with the target of developing a sustainable investment portfolio, TSKB REIT aims to review possible projects in all aspects with a risk-sensitive approach in 2016.

[www.tskbgyo.com.tr](http://www.tskbgyo.com.tr)

#### TSKB GAYRİMENKUL 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 TSKB's expertise dating back more than 50 years in the valuation of real estate properties, machinery and equipment. TSKB Gayrimenkul Değerleme A.Ş. provides independent and impartial services which meet 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 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 helps investors take the right steps in their real estate investments.

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal) was presented with the "Best Real Estate Appraisal Company in Turkey" award in the "Consultant" category at Euromoney's Real Estate Awards in 2015. The results were based on voting and surveys conducted with the broad participation of companies operating in various segments of the Turkish real estate sector. The Company's award was based on the Euromoney's own research on the appraisal, leasing and consulting companies operating in the real estate sector in Turkey. Previously, TSKB Real Estate Appraisal was named "Best Real Estate

Appraisal Company in Turkey" and "Best Real Estate Consultant in Turkey" in the "Real Estate Consultant" category in 2004 and 2008, and the "Best Real Estate Consultant in Turkey" in 2005 by Euromoney.

Representing its 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 organizational structure which has expanded throughout Turkey. The Company's specialists, most of them have license and are authorized by Capital Markets Board (CMB), 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 team, TSKB Gayrimenkul Değerleme A.Ş. has been providing independent and impartial reporting services at 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 companies subject to CMB regulations. As of year-end 2015, the Company had prepared 24 thousand reports.

TSKB Real Estate Appraisal conducts appraisal operation under two main departments, Collateral Appraisal and Private Projects. The Collateral Appraisal Department was set up in 2010 pursuant to the importance of "real value" assessment in real estate based secured loans; it provides services mainly for financial institutions. The Private Projects Department delivers services, domestically and internationally, for private appraisal demands. These include project appraisal, feasibility, highest and best use studies, project goodwill valuation, machinery and equipment pool appraisal, bidding advisory and sector research.

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,

## TSKB'S SUBSIDIARIES

### TSKB EXPANDS ITS SPHERE OF INFLUENCE BY SHARING ITS SUSTAINABILITY VISION WITH ITS SUBSIDIARIES.

real estate project or appraisal of rights and interests related with real estate" service in accordance with the BRSA decision No. 3469, dated December 17, 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 first developed expertise in the "green building" arena in 2012, a first in Turkey and a fast-growing area of sustainability, TSKB Gayrimenkul Değerleme A.Ş. provides "Green Buildings Appraisal" and "Green Value Analysis for Highest and Best Use" services with its LEED Green certified appraisal experts.

In 2015, TSKB Gayrimenkul Değerleme added Diyarbakır and Trabzon offices to its branch network, joining branches in İstanbul, Ankara, İzmir, Bursa, Adana and Antalya. The Company now operates eight branch locations in its service network.

TSKB Gayrimenkul Değerleme aims to maintain the corporate image and the

strength of the brand in 2016. The Company plans to reach out to more customers and expand its customer base with high quality and in-depth reporting, both in private projects and in appraisal activities.

[www.tskbgd.com.tr](http://www.tskbgd.com.tr)

#### ESCARUS SÜRDÜRÜLEBİLİR DANIŞMANLIK A.Ş.

Escarus Sürdürülebilir Danışmanlık A.Ş. was founded by TSKB affiliate Yatırım Finansman A.Ş. with a 96% stake and TL 240,000 of capital on March 24, 2011. The Company provides consultancy services to boost client's efficiency, competitiveness and profitability with its experienced and professional workforce.

Escarus aims to integrate internationally recognized global, environmental and sustainable approaches with the Turkish business community.

Escarus provides services under these main categories:

- » Consultancy - Engineering
- » Training

- » Certification
- » Monitoring/Reporting

Escarus embraces the principle of offering the most appropriate solutions to the needs of its clients at every phase of the projects it carries out in line with internationally accepted standards, procedures and approaches. Escarus aims to add value to its clients' sustainability projects with its consultants which are expert in their areas, as well as through its partnerships with domestic and international companies.

Along with sustainability-oriented management and strategic consulting services, Escarus delivers solutions to stakeholders on technical and environmental evaluation of investment projects; technical and environmental monitoring and reporting of these projects in financing processes; technical and environmental consultancy and reporting services for buyer/seller parties in purchase/acquisition processes.

In 2016, Escarus plans to continue creating value for its clients by developing and delivering effective consultancy solutions with a client-oriented approach.

[www.escarus.com](http://www.escarus.com)

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

COMPANY	SECTOR	CAPITAL (TL MILLION)	TSKB'S SHARE (%)	WEBSITE
İş Finansal Kiralama A.Ş.	Finance	530.3	29.46	<a href="http://www.isleasing.com.tr">www.isleasing.com.tr</a>
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	74.7	16.67	<a href="http://www.isgirisim.com.tr">www.isgirisim.com.tr</a>
İş Faktoring A.Ş.	Finance	63.5	21.75	<a href="http://www.isfactoring.com.tr">www.isfactoring.com.tr</a>





4,177 MW

**THE 133 RENEWABLE ENERGY  
PROJECTS FINANCED BY TSKB TO  
DATE HAVE A TOTAL INSTALLED  
CAPACITY OF 4,177 MW.**



## FINANCING AND MANAGEMENT OF SUSTAINABILITY

MORE THAN 50% OF TSKB'S LOAN PORTFOLIO IS COMPRISED OF SUSTAINABILITY THEMED INVESTMENT PROJECTS THAT HELP ADDRESS THE ISSUE OF THE CLIMATE CHANGE.

### TSKB conducts its banking operations with the mission of supporting Turkey's sustainable development.

- » The 133 renewable energy projects financed by TSKB to date have a total installed capacity of 4,177 MW - 13% of Turkey's renewable energy capacity today.
- » The energy savings achieved by the nearly 100 energy and resource efficiency projects financed by TSKB as of end-2015 is the equivalent of heating of a city with a population of 1.5 million.
- » All these renewable energy, energy and resource efficiency investments that were financed by TSKB have reduced annual CO<sub>2</sub> emission in Turkey by 8.3 million tons.
- » In 2015, TSKB provided loans to various projects in a range of sectors, including resource efficiency, renewable energy, electricity distribution, logistics, food and infrastructure. More than 50% of TSKB's loan portfolio is composed of sustainable investment projects.
- » In addition to providing financial support to assist in the transition of the Turkish private sector to low carbon emission and more efficient production, TSKB also offers consultancy services to companies in this key area.

### MEASURING ENVIRONMENTAL AND SOCIAL RISKS BEFORE ALLOCATING LOANS

Embracing the principle of sustainability in all projects it finances, TSKB applies the ERET (Environmental Risk Evaluation Tool) scoring model, which was developed in 2006, to all projects independent of investment amount.

Companies to be financed under the ERET model are assigned a score based on responses to questions related to environmental and social areas. Previously scored according to five different criteria with 35 questions, the model was revised in 2015. The number of questions pertaining to social issues increased and a new version consisting of a 5x45 question set was adopted and put into practice. With the scoring model involving the

phases of project evaluation - financing and monitoring processes along with risk categories A, B+, B- and C - a new structure was established beyond the internationally accepted classifications. The ERET model allows the risks pertaining to all projects, including corporate loans, to be measured in detail.

### TURKEY'S FIRST CARBON-NEUTRAL BANK TO RECEIVE ISO 14001 ENVIRONMENT MANAGEMENT SYSTEM CERTIFICATION

Leading the sector in Turkey in financing sustainability, TSKB has measured all environmental impacts stemming from the Bank's activities through its Sustainability Management System since 2005. The Bank shapes and formulates its strategies around reducing these impacts. The first Turkish

bank to receive ISO 14001 Environment Management System certification at end-2006, TSKB has neutralized its carbon footprint since 2008 to become the country's first carbon-neutral bank. In line with the support given to sustainable life, TSKB received the ISO 14064-1 certificate in 2012, which indicates control and approval of greenhouse gas emissions. TSKB was the first corporation in the banking sector to receive this certificate. Following the renewal of ISO 14001 certification in 2015, TSKB was also the first to receive ISO 14001:2015 certification in Turkey.

During the period that TSKB introduced its Environmental Management System, the Bank has decreased its electricity consumption by 27%, lowered natural gas consumption by 42%, cut paper use by 48% and reduced water consumption by 29%.

### SUSTAINABILITY MANAGEMENT ENCOMPASSING ALL BUSINESS PROCESSES

TSKB conducts its sustainability efforts within the organization via the Sustainability Committee, which is comprised of two Board Members (Ms. Ebru Özşuca, Mr. Kamil Yılmaz) and two Executive Vice Presidents (Mr. Ömer Eryılmaz, Ms. Çiğdem İçel); and the Sustainability Sub-Committee, comprised of representatives from various departments. The Bank systematically carries out its sustainability-related activities with the aim of instilling a sustainability mindset among all employees and integrating sustainable practices into its business processes.



#### TSKB PARTICIPATES IN DOMESTIC AND INTERNATIONAL SUSTAINABILITY INITIATIVES

- » The first Turkish bank to be a member of the UNEP FI
- » Participating in the Carbon Disclosure Project since its inception
- » One of two first financial institutions to be a signatory of the Water Disclosure Project in Turkey
- » The First Turkish Development and Investment Bank to be a member of the United Nations "Global Compact"
- » Member of the Global Reporting Initiative (GRI)
- » One of the two companies in the financial services industry to sit on the Board of the Global Compact Turkey Network
- » Headed the Finance Sector's Role on Sustainable Growth Working Group, created within the Banks Association of Turkey (TBB) in 2009
- » Member of the Advisory Board of the Sustainability Index, which will be launched by the BIST
- » Member of the Long-Term Investors Club (LTIC)

- » Member of BCSD Turkey (Business Council for Sustainable Development Turkey)

#### FIRST COMPANY IN THE FINANCIAL SERVICES INDUSTRY TO RELEASE A GRI\* APPROVED SUSTAINABILITY REPORT

Breaking new ground in the Turkish banking sector with the release of its first Sustainability Report 2009, TSKB shared the performance results of its sustainability strategies with stakeholders in its fourth Sustainability Report, which encompasses fiscal years 2013-2014.

*\*Global Reporting Initiative*

#### MODEL APPLICATIONS BY TSKB SUBSIDIARIES

Through its subsidiaries, TSKB continues to develop and implement applications that serve as models of sustainability. Escarus providing consultancy services in sustainability, Yatırım Finansman Menkul Değerler A.Ş., Turkey's first carbon neutral brokerage firm, and TSKB Gayrimenkul Değerleme A.Ş. the first firm in Turkey to launch "Appraisal of Green Buildings" services,

generate significant added value for the services TSKB provides in the sustainability arena.

#### AWARDS FOR TSKB'S SUSTAINABILITY-RELATED EFFORTS

- » Climate Disclosure Leadership - CDP Turkey (2015)
- » Highest Corporate Governance Report Transparency Rating - BIST Corporate Governance Index (2015)
- » Low Carbon Hero Award - Sustainable Production and Consumption Association (2015)
- » Highest Corporate Governance Rating Score - TKYD (2011-2013-2014)
- » "Sustainable Bank of the Year" Finalist in Europe - Financial Times & International Finance Corporation (2011-2013)
- » Highest ratings in the "Transparency" and "Performance" categories under the "Climate Change Leaders" award - CDP Turkey (2013)
- » "Sustainable Bank of the Year" in Eastern Europe - Financial Times & International Finance Corporation (2008-2009-2010)

## CORPORATE SOCIAL RESPONSIBILITY

POSITIONED AS A MODEL CORPORATE CITIZEN, TSKB FOCUSES ON CREATING VALUE THROUGH ITS SOCIAL RESPONSIBILITY PROJECTS.

### "The Environment: Our Priority at TSKB" since 2007

Activities conducted to date under "The Environment: Our Priority at TSKB" include:

- » Neutralization of annual individual carbon footprint by stakeholders
- » Sustainability meetings with employees, suppliers and subsidiaries
- » Turkey's most comprehensive environment portal - [www.cevreciyiz.com](http://www.cevreciyiz.com) and social media pages
- » First carbon-neutral concert within the scope of the İKSV Istanbul Music Festival
- » The Energy Efficiency Portal - [www.tskbenerjiverimliligi.com](http://www.tskbenerjiverimliligi.com)
- » "Sustainability Workshops" which is a sustainability literacy program for universities
- » Various sponsorships in the areas of the environment, energy and sustainability
- » "Rüzgarın Kanatları (Turning Winds)" book project, which covers wind energy in Turkey
- » A Day of Meeting Nature with NGOs
- » Sculpture Contest with the Mimar Sinan Academy of Fine Arts

### CORPORATE SOCIAL RESPONSIBILITY

TSKB conducts social responsibility projects to raise awareness primarily on energy and carbon management related topics and the fight against climate change. In order to expand the sphere of influence in social responsibility initiatives, the Bank establishes productive and cooperative links with the business world and universities.

TSKB's major corporate social responsibility projects are outlined below:

#### ENVIRONMENT: OUR PRIORITY

Positioned as a role-model corporate citizen, TSKB started the project "The Environment: Our Priority at TSKB." This is the most comprehensive and long-term social responsibility project on the issue of the environment in Turkey to date. The initiative leverages the Bank's corporate

competencies and its strong communication with stakeholders. Under the project, which launched in 2007, the Bank aims to raise social awareness about environmental issues, in particular within the business community and at universities.

#### CEVRECIYIZ.COM

Launched as part of "The Environment: Our Priority at TSKB" project, the website [cevreciyiz.com](http://cevreciyiz.com) is positioned as Turkey's most comprehensive environmental portal and features regularly updated content. Re-designed in 2014 with a systems infrastructure compatible with mobile devices, [cevreciyiz.com](http://cevreciyiz.com) reaches visitors with a wide range of content. The website's content offering includes inspiring sustainable business ideas, environmentally friendly designs and successful model applications as well as information on environmental and sustainability issues.

The website [cevreciyiz.com](http://cevreciyiz.com) is also active on social media channels, including Facebook, Twitter and Instagram. The portal had more than 50,000 Facebook followers as of 2015 year-end.

#### TSKBENERJIVERIMLILIGI.COM

Another project that TSKB launched to support sustainable development is the [tskbenerjiverimliligi.com](http://tskbenerjiverimliligi.com) portal. A reflection of the Bank's approach to social responsibility, the portal hosts examples from the Bank's energy efficiency projects in addition to the latest general and regulatory developments on energy efficiency.

#### TSKB SUSTAINABILITY WORKSHOP: A FIRST IN SUSTAINABILITY LITERACY

TSKB maintains a leadership position in the area of corporate social responsibility. Committed to broadening social awareness of sustainability, TSKB launched TSKB Sustainability Workshop, Turkey's first literacy program in sustainability, which has been carried out since 2012. With sustainability-focused workshops held at a different university every year, the Bank aims to raise awareness of this critical topic among university students, who are the prospective managers of the future. Students go through case studies by forming different groups during workshops in which experienced representatives from the private sector and the Bank's representatives as team leaders also participate.



With a focus on competencies of measurement, multidimensional perspective and team work, the Sustainability Workshops have to date been attended by numerous sector representatives, academics and over 200 students.

#### SHARING OF EXPERTISE

Under the "Sharing of Expertise" efforts, TSKB significantly raised its stakeholders awareness on sustainability via organizations supported by the Bank.

In 2015, 27 TSKB representatives attended 27 different platforms as speakers. In addition, the Bank undertook the sponsorship of eight organizations.

#### SUPPORT TO ARTS & CULTURE

Conducting its operations in line with the principle of creating value and carrying out successful cooperation in the area, TSKB is an ongoing sponsor of the concerts that are part of the Istanbul Music Festival organized by Istanbul Foundation for Culture and Arts (İKSİ).

The Bank received widespread praises from concert-goers for its sponsorship of "Dancing Paris" (Alliage Quintet & József Lendvay), held on June 8, 2015 as one of the major events at the Istanbul Music Festival. In 2014, TSKB started to regularly offset the carbon footprint of the sponsored concerts, emitted by musicians and audience members traveling to the concert area. TSKB thus broke new ground by pairing sustainability with arts sponsorship.

#### A BANK THAT NEUTRALIZES ITS STAKEHOLDERS' CARBON FOOTPRINTS

TSKB places great importance on conducting stakeholder communications with an approach that emphasizes sustainability. With a project started two years ago, the Bank sends personalized Gold Standard VER Certificates\* to its business partners and clients as a New Year's gift. With this certificate, TSKB effectively neutralizes its stakeholders' individual carbon footprints arising from everyday activities such as transportation, heating and energy for the year.

*\*This certificate was developed in line with the rules, methodologies and guidelines set by the International Gold Standard. It is based on a Voluntary Emission Reduction project approved by independent enterprises that are accredited according to the United Nations Framework Convention on Climate Change.*



## INVESTMENT TO HUMAN RESOURCES

TSKB CONTINUALLY INVESTS IN HUMAN RESOURCES IN LINE WITH ITS LONG-TERM GOALS. THE BANK PREPARES JUNIOR MANAGERS FOR THE FUTURE WITH PERSONALIZED TRAININGS AND DEVELOPMENT PROGRAMS.

### INVESTING IN HUMAN RESOURCES

TSKB sees highly competent and well-trained human capital one of the most crucial factors that render the Bank's successful performance. In order to ensure that business processes become more efficient, the Bank undertakes ongoing efforts in various areas of relevance, including recruitment processes, professional and managerial training programs.

In 2015, 33 new employees joined the TSKB family: nine Management Trainees following the sixth TSKB Career Workshop held in April and 24 new recruits for various departments at the Bank.

"Strategic Leadership" and "Leadership with an Impact" modules of the Development Workshop for managers and senior managers took place in 2015. Under the program focusing on personal development,

leadership and competence development, participants undertook project-based work to combine differentiating viewpoints on the topics that are of primary strategic importance to the Bank. Ten banking projects prepared by the Development Workshop participants were presented to TSKB senior management.

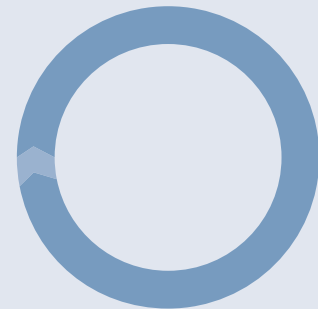
Some 177 employees received training through the Bank's Training Catalog, which includes six different topic areas. The Catalog was developed with reference to TSKB Basic Competences and integrated with the performance review process in order to support the staff's promising competencies.

During the year, the Bank launched a one-to-one coaching program for managers. The Bank's management staff was also the target for the "Leadership Development Program," which focuses on strategy, leadership and negotiation skills. The Program was one of TSKB's major initiatives in 2015.

In addition to in-house trainings held to develop employees' technical skills and know-how, the Bank conducted a 28-day MT Training Program for newly recruited management trainees. In addition, the Bank organized sustainability related trainings on topics that included Sustainability Management System, Employee Health and Workplace Safety, First Aid, Ergonomics and Emergency Action Plan.

In order to ensure the successful achievement of the Bank's strategies and long-term goals, and in keeping with ethical values and fairness, the TSKB pays employees

### EDUCATIONAL STATUS OF BANKING PERSONNEL



University 97%  
Female 55%, Male 45%

Other 3%  
Female 89%, Male 11%

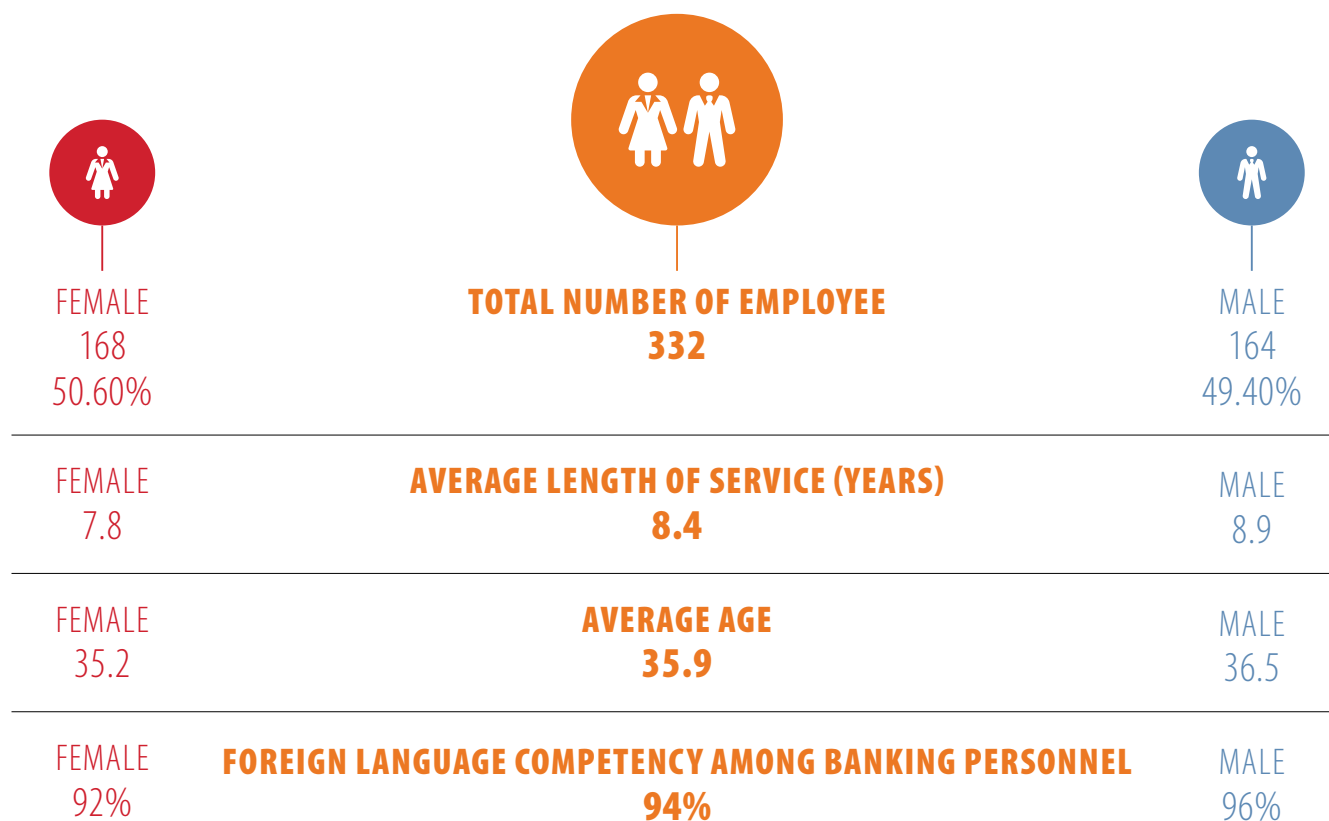
an incentive bonus once a year. In 2015, 173 employees were paid an incentive bonus amounting to TL 6,857,573 in total.

TSKB plans to continue efforts to create a strong employer brand in 2016. The Bank aims to maintain its long-term initiatives, including Career Workshops and Sustainability Workshop, that it has carried out in cooperation with universities and raise awareness of TSKB among new graduates. In line with TSKB's strategy on the sustainability of human resources, the Bank will continue investing in its human capital, its greatest asset, with personalized assessments and development programs. Through these efforts, TSKB supports its strategy of becoming a company preferred by employees.





## HUMAN RESOURCES PROFILE



## BOARD OF DIRECTORS

ADNAN BALİ



KEMAL SERDAR DİŞLİ



HALİL AYDOĞAN



MURAT BİLGİÇ



YAVUZ CANEVİ



UYGAR ŞAFAK ÖĞÜN



EBRU ÖZŞUCA



ÖZCAN TÜRKAKIN



ZEYNEP HANSU UÇAR



KAMİL YILMAZ



**ADNAN BALI****Chairman**

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.

**KEMAL SERDAR DIŞLI****Vice Chairman**

Kemal Serdar Dişli, 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 was appointed as Assistant Inspector in the same year. Between the years 1998-2002, 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. Dişli still serves as the Manager of Kozyatağı Corporate Branch and has been a Member of TSKB's Board of Directors since May 25, 2007. Due to his Membership in the Audit Committee, he is an Independent Board Member.

**HALİL 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 22<sup>nd</sup> and 23<sup>rd</sup> terms of Turkish Grand National Assembly. Mr. Aydoğan served as Vakıfbank's Chairman between January 2012 and March 2013 and was appointed as the Chief Executive Officer of Vakıfbank on March 29, 2013. Since December 16, 2013, Mr. Aydoğan has been a Board Member of TSKB's Board of Directors.

**MURAT BİLGİÇ****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.

**YAVUZ CANEVI****Board Member**

Yavuz Canevi was born in Konya in 1939 and graduated from the Finance and Economics Department of the Faculty of Political Sciences, Ankara University in 1960. He completed a master's degree at the University of Southern California in 1969. After serving as a Ministry of Finance Inspector from 1960 to 1963, he worked in a variety of positions in public and private organizations from 1963 to 1989, until getting retired from his position as Treasury Undersecretary in the latter year. Mr. Canevi has been the Chairman of the Board of Directors at Türk Ekonomi Bankası since 1996. Mr. Canevi, who had served as a member of TSKB's Board of Directors between 1993 and 2012, was elected as a Member of TSKB's Board of Directors in March 26, 2015.

**UYGAR ŞAFAK ÖĞÜN****Board Member**

Uygur Şafak Öğün 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. Öğün 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. Öğün 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. Öğün has been a Member of the Board of Directors of TSKB since April 2, 2010. Due to his Membership in the Audit Committee, he is an Independent Board Member.

**EBRU ÖZŞUCA****Board Member**

Ms. Ebru Özşuca was born in Ankara in 1971 and graduated from Economics Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1992. Ms. Özşuca holds "International Banking" and "Finance" masters degrees from Middle East Technical University and Southampton University. Having started her professional career at İsbank as an Assistant Specialist in Treasury, she was promoted to Assistant Manager and Unit Manager of the same department. Between 2007 and 2011, Ms. Özşuca worked as the Head of the Corporate Banking Products Department. In 2011, she was appointed as the Head of Treasury at İsbank. Ms. Özşuca has been a TSKB Board Member since April 17, 2014.

**ÖZCAN TÜRKAKIN****Board Member and CEO**

Özcan Türkakin was born in Afyon in 1958. After having 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 İb 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 Chief Executive Officer since January 31, 2013.

**ZEYNEP HANSU UÇAR****Board Member**

Ms. Z. Hansu Uçar was born in Ankara in 1971 and graduated from Business Administration Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1993. In the same year, Ms. Uçar has started her professional career at İsbank as an assistant investment specialist in Subsidiaries Division. Having served as Unit Manager between 2007 and 2015, she was promoted as Division Head of Subsidiaries Division. Ms. Uçar has been a TSKB Board Member since November 27, 2015.

**KAMİL YILMAZ****Board Member**

Prof. Dr. Kamil Yılmaz is an Academician at the Faculty of Economics and Administrative Sciences of Koç University. After having graduated from the economics department of Boğaziçi University in 1987, Prof. Dr. Yılmaz had completed his masters and doctorate degrees in economics in 1990 and 1992 at Maryland University. Between 1992 and 1994, he worked at the research department of World Bank in Washington. In 1994, Prof. Dr. Yılmaz started working as an Academician at the Faculty of Economics and Administrative Sciences of Koç University. He also served as the Visiting Professor of economics at the University of Pennsylvania between years 2003-2004 and 2010-2011. Having played an active role in the establishment of TUSIAD Economic Research Forum in 2005, he served as a Forum Director between 2007 and 2009. Prof. Dr. Yılmaz, who has various scientific articles and books concerned with international finance, international trade, macroeconomics and Turkish economy published at the local and international magazines, was honored with Encouragement Award in the Social Sciences and Humanities by the Turkish Academy of Sciences in 2003. He has been also serving as Independent Board Member in İb Investment Trust since 2012 and in TSKB since March 25, 2014.

## SENIOR MANAGEMENT



Gökhan Çanakpınar

Burak Akgüç

Özcan Türkakın

Çiğdem İçel

Aziz Ferit Eraslan

Ece Börü

Ufuk Bala Yücel

Hakan Aygen

Ömer Eryılmaz

**ÖZCAN TÜRKAKIN****Board Member And CEO**

Özcan Türkakin was born in Afyon in 1958. After having 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 Chief Executive Officer since January 31, 2013.

**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 2004 and is currently responsible for the Corporate Banking and Project Finance.

**ÖMER ERYILMAZ****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 Sinai 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 Budget Planning & Investor Relations, Corporate Compliance and Financial Control Departments. Having been appointed as Investor Relations Department Manager in May 29, 2014 pursuant to Capital Markets Board's Corporate Governance Principles Communique numbered II-17.1, Mr. Eryılmaz has been a Member of the Corporate Governance Committee. He has also been a Board Member in the Turkish Corporate Governance Association since March 30, 2015.

**ÇİĞDEM 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 January 27, 2006. Ms. İçel is currently responsible for the Treasury, Development Finance Institutions and Financial Institutions.

**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 December 25, 2007. Ms. Yücel is currently responsible for the Loans and Loans Monitoring Departments.

**GÖKHAN ÇANAKPINAR****Executive Vice President**

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle East 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 December 27, 2011 he has been working as an Executive Vice President for Information Technology and Operations.

**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. She is currently in charge of Enterprise Architecture, Human Resources, Talent Management, Corporate Communication Departments.

**HAKAN AYGEN****Executive Vice President**

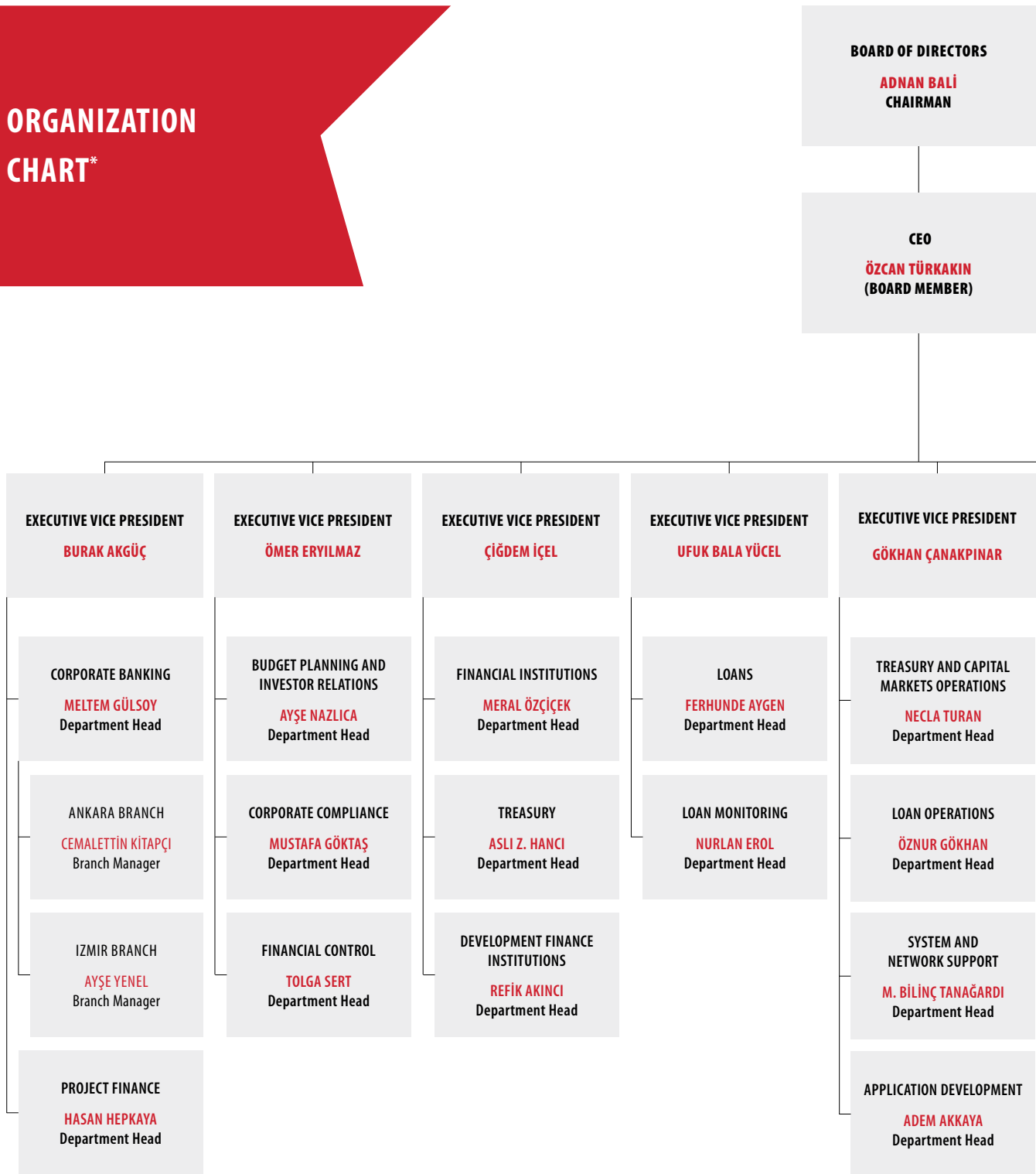
Hakan Aygen was born in Konya in 1965 and graduated from Management Engineering Department of Istanbul Technical University. Mr. Aygen started his professional career in non-financial sector in 1989. He joined TSKB in 1995 as an Assistant Specialist in the Financial Analysis Department and completed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

**AZİZ FERİT ERASLAN****Executive Vice President**

Aziz Ferit Eraslan was born in Istanbul in 1969. Following his graduation from the Public Administration Department of Middle East Technical University in 1991, he completed the MT Banking School of Ziraat Bank. In 1992, Mr. Eraslan started his professional career at Isbank's Board of Inspectors. He completed his master's degree at the Stirling University of Scotland between 1996-1997. At the Accounting Department of Isbank, Mr. Eraslan was appointed as Deputy Manager in 2000 and as Group Manager in 2003. Between 2007 and 2012, he was positioned as the Department Head at the Accounting Department, name of which was in time transformed to Financial Management Department. Between 2013 and 2015, Mr. Eraslan was in charge of Chief Executive Officer position at Closed Joint Stock Company Isbank. In October 2015, he was appointed as Executive Vice President who is responsible for Board of Inspectors, Risk Management and Internal Control Departments at TSKB.



# ORGANIZATION CHART\*



\*As of January 1, 2016

\*\*Board Rapporteur

**AUDIT COMMITTEE**  
**KEMAL SERDAR DİŞLİ**  
**UYGAR ŞAFAK ÖĞÜN**  
(BOARD MEMBER)

**EXECUTIVE VICE PRESIDENT**  
**ECE BÖRÜ**

**PENSION AND  
ASSISTANCE FUNDS**  
**NEŞE DUYGULU**  
Department Head

**HUMAN RESOURCES**  
**KÖKSAL AKDENİZ**  
Department Head

**ENTERPRISE ARCHITECTURE  
AND PROCESS MANAGEMENT**  
**H.YETKİN KESLER**  
Department Head

**TALENT MANAGEMENT AND  
CORPORATE COMMUNICATION**  
**OLCAY HEDİLİ**  
Department Head

**EXECUTIVE VICE PRESIDENT**  
**HAKAN AYGEN**

**CHIEF ECONOMIST**  
**GÜNDÜZ FINDIKÇIOĞLU**  
Department Head

**ECONOMIC RESEARCH**  
**HAKAN AYGEN**  
(Acting Department Head)

**CORPORATE FINANCE**  
**BARIŞ TUNÇSİPER**  
Department Head

**FINANCIAL ANALYSIS**  
**ELİF AYDOĞAN**  
Department Head

**ENGINEERING ANALYSIS**  
**COŞKUN KANBEROĞLU**  
Department Head

**LEGAL AFFAIRS**  
**ÖZLEM BAĞDATLI(")**  
Department Head

**EXECUTIVE VICE PRESIDENT**  
**AZİZ FERİT ERASLAN**

**BOARD OF INTERNAL AUDITORS**  
**MEHMET SUNGUN**  
Head of Board

**INTERNAL CONTROL**  
**FUAT SÖNMEZ**  
Department Head

**RISK MANAGEMENT**  
**ARİF SEÇKİN TOKATLI**  
Department Head

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

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

The Bank has authored their "Corporate Governance Principles Compliance Statement" as per the provisions of Corporate Governance Communique No: II-17.1 (hereinafter the "Communique"), published in Official Gazette Dated January 3, 2014, Edition No: 28871, and those of CMB Principle Decision No: 2/35 Dated January 27, 2014, and in line with the international principles and sector principles. In the activity period of 2015, the Bank generally complied with "Corporate Governance Principles" that were published by the Capital Markets Board, with the exception of the following principles, compliance of which is not obligatory for the Bank. The Bank's Articles of Association do not include provisions that foresee:

- » Ability to exercise the individual right of requesting appointment of a special auditor;
- » Models to support participation of the stakeholders to the Bank's management;

Above-mentioned principles that are not yet complied with did not so far result in any conflict of interest among the stakeholders.

Given below are the assessment and observations on the Bank's compliance with the Corporate Governance Principles, and the Bank's activities for developing the scope and quality of the level of their compliance.

### SECTION II - SHAREHOLDERS

#### 2.1. Investor Relations Department

Duties and responsibilities of "Stakeholder Relations Department" that was formed under the Secretary General in the scope of compliance with the Communique in 2009 later have been restructured under the "Investor Relations Department" as per the provisions of Board of Directors Decision No: 2176 dated May 29, 2014. Mr. Ömer Eryılmaz, Executive Vice President in charge of Budget Planning and Investor Relations, Corporate Compliance and Financial Control was appointed to "Investor Relations Department Manager" and was serving as a Member of Corporate Governance Committee as per the provisions of the governing legislation. Activities of the Investor Relations Department have been carried out by Investor Relations Department and Legal Affairs Department.

Investor Relations Department pursues activities in relation to shareholders' use of their rights and ensures the communication between the Bank's senior management and shareholders. The Department has an active role facilitating the use of and in protecting

shareholders' rights, especially rights to obtain information and review.

Investor Relations Department basically has the following functions and purposes:

- » Ensuring that the records of correspondences between shareholders and the Bank, and other documents are in order, up to date and reliable,
- » Responding to the written claims of information by shareholders pertaining to the Bank's business, with the exception of information that is confidential and/or secret and/or otherwise exempt from public disclosure,
- » Preparing the documentation related to the General Assembly meetings to be made available to the shareholders for their review and taking measures to ensure that General Assembly meetings are held in full adherence to the governing legislation, provisions of the Articles of Association and the Bank's other internal bylaws,
- » Observing and supervising performance of all liabilities under the provisions of capital market legislation, including but not limited to all issues pertaining to the corporate governance and public disclosure.

Investor Relations Department prepares and submits a written report once a year with regards to the activities carried out by the Department, which is to be read and discussed in Corporate Governance Committee's first meeting. Corporate Governance Committee submits the aforementioned report to the Board of Directors.

Contact details of the employees who take part in Investor Relations are given in the following table:

FULL NAME	TITLE	PHONE NO	ELECTRONIC MAIL ADDRESS
Ömer Eryılmaz*	Investor Relations Department Manager and Executive Vice President	+90 212 334 51 80	eryilmazo@tskb.com.tr
Ayşe Nazlıca	Department Head - Budget Planning and Investor Relations	+90 212 334 51 94	nazlicaa@tskb.com.tr
Özen Çaylı	Manager - Budget Planning and Investor Relations	+90 212 334 52 49	halilogluo@tskb.com.tr
Emre Kalelioğlu	Manager - Budget Planning and Investor Relations	+90 212 334 52 03	kalelioglue@tskb.com.tr
Özlem Bağdatlı	Department Head - Legal Affairs	+90 212 334 50 93	bagdatlio@tskb.com.tr
Korhan Aklar	Group Manager - Legal Affairs	+90 212 334 50 92	aklark@tskb.com.tr

\* Ömer Eryılmaz, Investor Relations Department Manager, has Capital Market Activities Advanced Level Certificate (Certificate No: 203582) and Capital Markets Board Corporate Governance Rating Specialist Certificate (Certificate No: 700276).

Critical tasks undertaken by the Investor Relations Department throughout the year in order to comply with the provisions of the Communique are as follows:

- » The Bank's Donation and Grants Policy prepared and published in 2014 was approved by the General Assembly.
- » Independent Board Member's declaration of independence was published within the Annual Report.
- » A TKYD training course was organized for the personnel who are in the insider information list.
- » Pursuant to the Woman Board Member Policy published in 2014, the Board evaluated the current performance regarding the level of target achieved.
- » An instructive presentation covering the crucial issues pertaining to Subsidiaries' Board Members was prepared.

Responding to all shareholder and analyst information claims received via telephone and e-mail in 2015, Investor Relations Department conducted total of 134 informatory meetings with investors and analysts in Turkey and abroad. Of these meetings, 12 were conducted over the telephone, 43 were conducted at the Bank's head office, and remaining 79 were conducted during 7 roadshows / conferences.

Moreover, 2 teleconference meetings were held with domestic and international investors and analysts throughout the year where 2013 year-end and 2014 first half financial results were presented and discussed. To note, the average number of the attendants to the teleconference was more than 30.

## 2.2. Shareholders' Exercise of Their Right to Obtain Information

All kinds of information claims received from shareholders are answered except for the ones which are not publicly disclosed or are confidential and/or in the nature of a trade secret. Information claims received from shareholders are evaluated by employees who are well qualified experts of their area and replied within the limits of trade secrecy and confidentiality, in a timely and accurate manner.

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). Moreover, as per the provisions of "Regulations on Internet Sites to be Published by Investment Corporations", published on Official Gazette Edition 28663 dated May 31, 2013, investors are directed to MKK website from the "Bilgi

Toplumu Hizmetleri" section of the Bank's website, and are given access to Bank information that needs to be disclosed to the public as per the provisions of the above-mentioned regulations.

Articles of Association of the Bank do not provide an individual right of requesting appointment of a special auditor. However, according to the Turkish Commercial Code (TCC), minority shareholders have the right to request appointment of a special auditor from General Assembly regarding the examination of specific material issues. In view of the fact that the right of requesting appointment of a special auditor from General Assembly is not only a requirement of law and but also one of the exceptions to the principle of being committed to the General Assembly agenda, it is not defined as an individual right in the Articles of Association. Moreover, there has not been any request for the appointment of a special auditor pursuant to TCC and Corporate Governance Principles throughout the year.

All necessary information for shareholders to exercise their shareholding rights is made available to them via corporate website, annual reports and public disclosures, as well as by replying to individual claims.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The bank announced 74 public disclosures between January 1 and December 31, 2015 as required by CMB regulations. There has not been any public disclosure that was not delivered in due time or for which either CMB or BIST demanded additional information.

### 2.3. General Assembly Meetings

In 2015, one General Assembly Meeting was held, which was the Ordinary General Assembly Meeting for 2014 that was held on March 26, 2015. The aforementioned meeting was held at the Bank's Head Office as well as via electronic medium pursuant to CMB's "Communique Regarding the Electronic General Assembly Meetings of Joint Stock Companies" dated August 29 of 2012.

General Assembly Meeting was attended by shareholders that represent 79.8% of the Bank's paid-in capital of TL 1,500 million, namely TL 1 billion 197 million 355 thousand 28 and 54 kurush of the paid-in capital was represented in the meeting.

Shareholders, Board Members and employees attended the General Assembly meeting. In addition, Independent Auditors' Representative and Corporate Governance Rating Analyst, who were invited, participated to the meeting.

The announcements concerning the invitation of the meeting specifying its place, date, time, agenda, and specimen proxy statement were published three weeks before the meeting date in the Turkish Corporate Registrar's Gazette, the newspaper named Dünya Gazetesi, the BIST'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 accessible national and international investors who have invested in the bank's shares and were also published on the Bank's Turkish and English websites. The information about the meeting was also sent out within the same time frame by registered and reply paid letter to holders of registered shares who have given their contact information before.

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 General Assembly is made; copies of the Turkish annual report, financial statements and reports, dividend payment proposal, the memorandum of general assembly which is prepared to explain the agenda items comprehensively, other documents pertaining to the items on the agenda, the current text of the articles of association (provided that there is an amendment in the articles of association), the texts and justifications of the amendments are all made available for the inspection of shareholders at the Bank's head office.

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 2015, the shareholders exercised their right to ask questions and their questions were duly responded. In addition, there

has not been any proposal from shareholders regarding any additions to the agenda.

The following resolutions were adopted by unanimous votes of the shareholders during the meeting:

- » 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 approval of the balance sheet and profit and loss statement of the Bank for the year 2014,
- » Release of the Members of the Board of Directors from their responsibilities,
- » Approval of the Donations and Grants policy,
- » Determination of the upper limit for the donations to be made in 2014.

The following resolutions were adopted by the shareholders by majority votes during the meeting:

- » 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 2014,
- » Approval of the election of the Members of the Board of Directors in replacement of resigned members during the year 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 distribution date,
- » Approval of the election of the Board Members and Independent Board Member,
- » Determination of allowance for the Members of the Board of Directors,



- » Choosing the independent audit firm,
- » Empowering the Members of the Board of Directors with regards to responsibilities and transactions set forth in Turkish Commercial Code, Articles 395 and 396.

Regarding the proposal for determination and distribution of the dividend, some shareholders annotated to the said proposal, and their names and opinions were added as annotation to the General Assembly Meeting Minutes.

Amount of special disbursement to be paid to employees were notified to shareholders in the General Assembly meeting. Moreover, with a separate agenda item, the shareholders are notified that a total of TL 31,803 that was donated throughout the year to Global İlişkiler Forumu Derneği, Türk Eğitim Vakfı, various educational institutions and others.

Pursuant to the principle 1.3.6. 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 management positions.

Throughout the period, there has been no transaction where the decision had to be left to the discretion of the General Assembly due to Independent Board Members rejections.

In order to facilitate the participation to the General Assembly Meeting, utmost care is taken to ensure that the implementations are in compliance with the governing legislation. In our opinion, shareholders do not have any difficulty in participating general assembly meetings and so far the Bank has not received any feedback from the shareholders to this effect.

Copies of the Resolutions of General Assemblies are given to participants at the end of General Assembly Meetings. Moreover, resolutions are also accessible in electronic format on the corporate website ([www.tskb.com](http://www.tskb.com)) for review by shareholders who could not participate in the General Assembly Meeting.

#### 2.4. 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 and 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. Moreover, Vakıflar Bankası T.A.O., which controls an 8.38% stake in the Bank's capital, has one seat on the Board of Directors.

The CEO is a member by nature of the Board of Directors. The number of the Independent Board Members and their criteria are determined pursuant to the CMB's regulations regarding corporate governance.

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 following the acquisition of shares.

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 or via proxy of any other person, which may or may not be a shareholder.

A non-corporate shareholder may only be represented by a single proxy at General Assemblies, and 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.

Apart from the provisions that are mandatory under the governing legislation, the Bank's Articles of Association includes no arrangement with regards to minority rights.

#### 2.5. 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.

Principles governing the Bank's dividend distribution is arranged in the Articles of Association, Article 47, and there are 100 founders' shares that receive a portion of the profits distributed subject to these principles.

The Bank's updated dividend payment policy was approved by the General Assembly on March 27, 2014. Updated policy was disclosed to shareholders on the Bank's Turkish and English websites.

The Dividend Policy dictates that as long as there are no unfavorable developments in global and local economic circumstances, and the Bank's financial position and capital adequacy ratio are at the foreseen levels, 30% of the distributable profit that is calculated as the first profit share will be paid out as cash and/or stock dividends.

Dividends are paid within the legally prescribed periods of time. The payment of dividends is completed in no case later than the end of the 5<sup>th</sup> month of the year as prescribed by the law. The dividend proposal of The Board of Directors was accepted during the General Assembly. The dividends of the year 2014 equivalent to TL 234,000,000 were distributed as bonus shares subsequent to the registration of the said shares by the Capital Markets Board and the cash dividends equivalent to TL 72,000,000 were distributed on March 30, 2015.

As required by the "Regulation on the Donations and Grants to be made by Banks and Institutions subject to Consolidated Supervision" that went into effect on November 1<sup>st</sup> 2006, the Bank does not make political donations. In addition, the Donation and Grants Policy of the Bank is published at the Bank's official website.

#### 2.6. 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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

#### 3.1. Corporate Website and Its Content

The Bank makes active use of its corporate website for public disclosures and announcements. Corporate 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. Website is kept up to date at all times.

The Bank's corporate website address is [www.tskb.com.tr](http://www.tskb.com.tr), and that of the English language website is [www.tskb.com](http://www.tskb.com). Website address is included in the Bank's letterhead.

#### 3.2. 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.

### SECTION IV - STAKEHOLDERS

#### 4.1. Keeping Stakeholders Informed

The stakeholders, who have an interest in the bank, including shareholders, employees, creditors, clients, suppliers, non-governmental organizations, the government and potential investors are informed on issues concerning the Bank that are of interest to them as much as possible in writing, and 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, taking the Bank's own reputation into account.

Stakeholders submit their complaints and recommendations to the Bank by means of a communication form that can be found on the Bank's website. Claims regarding the transactions that violate the provisions of the legislation or otherwise unethical are examined by either Inspection Committee or Internal Audit Department depending on the content and nature of the claims and forwarded to Corporate Governance Committee or Audit Committee.

#### 4.2. Stakeholders' Participation in Management

The Articles of Association of the Bank contain no provisions governing stakeholders' participation in the Bank's management.

"General Assessment" meetings are held two times every 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 by means of "I Have a Recommendation" and "Complaint Form" that they can access on the Bank's intranet. Moreover, there are many committees that are formed by the Bank employees, concentrating on various issues. Participation of the employees in management is also made possible by means of these committees.

#### 4.3. 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 of equal competencies are to be given equal opportunity under identical conditions and hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

While taking decisions with respect to training, assignment and promotion, objective criteria are used and the Bank's best interests are taken into consideration.

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. In addition, documents and information pertaining to the Labor Health and Workplace Safety activities are included in the "Safe Employment" section of the Bank's intranet system.

Employees are provided with a secure work environment and safe working conditions and 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. There has been no complaints from the employees on the aforementioned grounds so far.

The Human Resources Policy is also publicly disclosed on the corporate website.

#### 4.4. Ethical Rules and Social Responsibility

The Bank embraced the "Code of Banking Ethics" published by the Banks Association of Turkey with Board of Directors' resolution dated March 16, 2006. The revised versions of the "Code of Banking Ethics" which were amended by the Banks Association of Turkey in September 15, 2010 and August 20, 2014 were adopted by the Bank's Board of Directors. The Code of Banking Ethics, which was adopted to bind all employees including but not limited to the Board of Directors, are available on the Bank's corporate website in English and Turkish.

Members of the Board were notified of the rules that they are not to comply with any suppression that might result to the detriment of the shareholders and that they are not to accept any monetary benefits; and that a Member of the Board of Directors is not allowed to disclose to public the Bank's confidential information and/or trade secret(s).

Trade secret mentioned above consists of the information pertaining to the 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 which can only be learned, obtained only by qualified individuals that are related to Bank's activity area and individuals who may have access to insider information, but shall not be known by its competitors or third parties and shall not be disclosed to public.

The term "Insider information" is used to refer to information, events and incidents that is not in public domain and might affect the value and/or price of investment instruments or investment decisions of the investors. A list of those who have access to insider information, which is regularly monitored and kept up to date at all times, includes the names of all Bank employees and those of all other persons that have direct or indirect access to insider information. People whose names are in the

insider information list have declared that they acknowledged their liabilities and the sanctions regarding the abuse and improper disclosure of such information in breach of law and legislation.

Acting based on a vision to become the leader bank in Turkey's sustainable economic development, TSKB strives to ensure that all the loans utilized by the Bank turn into investments that'll contribute to Turkey's economic and social development. Accordingly, before financing the Bank evaluates all investment projects with utmost care regarding the current and potential environmental and social effects of these projects as well as those of other activities of the project owners.

Social responsibility projects have always been on the essentials of sustainable banking philosophy of TSKB. In this context, detailed information pertaining to these activities is made available in section titled "Corporate Social Responsibility at TSKB" on Page 46.

### SECTION V - BOARD OF DIRECTORS

#### 5.1. Structure and Composition of the Board of Directors

With the exception of the CEO, the Board of Directors consists entirely of non-executive directors and positions of CEO 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.

Board of Directors consists of 10 members, which allows the activities of the Board of Directors to be organized effectively. Information about the Board Members and the CEO are given in the following table and their detailed CVs are accessible at the Bank's website.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

FULL NAME	TITLE	EDUCATIONAL BACKGROUND	WORK EXPERIENCE	DATE OF APPOINTMENT	EMPLOYER AND POSITION
Adnan Bali	Board Chairman	Middle East Technical University, Economics and Administrative Sciences / Economy	30 years	April 15, 2011	T. İş Bankası A.Ş. Chief Executive Officer
Kemal Serdar Dışlı*	Vice Chairman / Independent Board Member	Hacettepe University / Public Administration	28 years	May 25, 2007	T. İş Bankası A.Ş. Kozyatağı Corporate Banking Branch Manager
Halil Aydoğan	Board Member	Istanbul University Faculty of Economics / Management - Finance Department	39 years	December 16, 2013	T. Vakıflar Bankası T.A.O. Chief Executive Officer
Murat Bilgiç	Board Member	University of Birmingham / M.Sc. in Banking	25 years	March 23, 2005	T. İş Bankası A.Ş. Corporate Loans, Allocation Manager
Yavuz Canevi	Board Member	University of Southern California / M.A. in Economics	35 years	March 26, 2015	T. Ekonomi Bankası A.Ş. Board Chairman
Uygur Şafak Öğün*	Board Member	University of Birmingham / MA in International Banking and Finance	21 years	April 2, 2010	T. İş Bankası A.Ş. Corporate Banking Sales and Marketing Manager
Ebru Özşuca	Board Member	Southampton University / International Banking and Finance	22 years	April 17, 2014	T. İş Bankası A.Ş. Treasury Manager
Özcan Türkakın	Board Member and CEO	Boğaziçi University Faculty of Economics and Administrative Sciences / M.Sc. in Economics	32 years	January 31, 2013	TSKB A.Ş. Chief Executive Officer
Z. Hansu Uçar	Board Member	Middle East Technical University, Economics and Administrative Sciences / Management	22 years	November 27, 2015	T. İş Bankası A.Ş. Affiliates Manager
Kamil Yılmaz	Independent Board Member	University of Maryland / Ph.D. in Economics	24 years	March 25, 2014	Koç University Faculty of Economics and Administrative Sciences, Lecturer

\*Members of the Audit Committee were accepted as Independent Members of the Board of Directors as per the provisions of Capital Markets Board's Corporate Governance Communique No: II.17.1., Article 6/(3)-a.

With the Nomination Committee's report dated March 25, 2015, Mr. Kamil Yılmaz 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, Mr. Yılmaz was selected as the Independent Board Member by the General Assembly held on March 26, 2015. At the time of being presented as the nominee, Mr. Kamil Yılmaz delivered his declaration of independence pursuant to regulations, Articles of Association and criteria set by the Communiqué to the Nomination Committee. Mr. Kamil Yılmaz's declaration is as follows:

"To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.;

Whereas I am nominated to Independent Board of Directors Member on your Company's General Assembly Meeting dated March 26, 2015, I hereby represent and warrant:

a) that there isn't any relations between myself, my spouse, my relatives up to second degree or my in-laws, and the Company or those persons who control the management of the Company or possess significant controlling power over the Company or legal persons who have controlling power on such shareholders and there isn't anyone among my relatives and in-laws that have had significant duties or responsibilities in management positions at the aforementioned legal persons; that I do not possess, jointly or individually, greater than 5% of the capital or rights to vote or privileged shares and that I do not have a significant commercial relations with the aforementioned;

b) that I have not taken part, in the last five years, in companies from which the Company purchases significant amounts of goods or services, especially controlling (including but not limited to tax inspection, legal audit, internal audit), rating or consultancy services, as shareholder (5% and above), Board of Directors member or in any other management position with important duties and responsibilities;

c) that I have ample vocational education, knowledge and experience to properly

perform duties I'll undertake as can be reasonably expected from an Independent Board of Directors Member;

d) that I am not employed by public sector organizations as a fulltime employee as of the date I was nominated to Independent Board of Directors Member and that -in the event I am elected, I will not work as a fulltime employee in public sector organizations throughout the term of my office as Independent Board of Directors Member;

e) that I am considered as a resident of Turkey in the sense of Income Tax Code (ITC) Code No: 193 dated December 31, 1960;

f) that I possess strong ethical standards, vocational reputation and experience to contribute to the Bank's success and to remain impartial and take decisions with careful consideration of the stakeholders' rights in the event of any conflicts of interest that might arise among the stakeholders of the Company;

g) that I will have enough time to monitor the Company's activities and fully perform my duties that I will undertake;

h) that I did not serve as a Board Member for a term longer than 6 years for the last 10 years;

i) that I did not serve as an Independent Board Member in more than three of the companies that have controlling power on the Company or shareholders of the Company and/or in more than five of the companies that are publicly traded in the stock market;

j) that I wasn't registered and announced for and on behalf of a legal person that is appointed to the Board of Directors Member and therefore, I will serve as an Independent Member".

In addition to the Board of Directors Decision No: 2194 dated October 14, 2014, "Woman Board of Directors Member Policy" was created in order to ensure that at least 25% of the Board Members are women. In the light of the aforementioned policy, women will be prioritized when selecting Board of Directors Members from among

candidates that possess equal knowledge, experience and competency. The aim is to increase the number of women Directors, which is currently one, gradually to three in the next four years. The progress made towards this target was evaluated by the Corporate Governance Committee, and the assessments were submitted to the Board of Directors via the Corporate Governance Committee information memorandum dated October 23, 2015. The number of women in the Board which was one at the time of the evaluation was planned to be raised to 3 within the next four years. In November 27, 2015, the number of women in the Board was increased from one to two.

Regarding the minimum qualities to be sought in appointments to Board Member, the Bank acts in accordance with the provisions of Banking legislation, Turkish Commerce Code and the regulations of Capital Markets Board.

Board Members spend enough time to oversee the Bank's business. Although there isn't any restriction with regards to Board Members' employment out of the Bank, Board of Directors Members do not work in any positions other than their natural positions at the organization that they represent or in organizations owned by the organization that they represent.

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 CEO 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

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.



## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In addition, pursuant to Banking Regulation and Supervision Agency's (BRSA) "Regulations on Internal Systems of Banks", the Board of Directors has ultimate responsibility for forming the internal audit, internal control and risk management systems which are defined as "internal control systems"; 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.

### 5.2. Operating Principles of the Board of Directors

Board of Directors gathers periodically, at least once a month, or more where the Company's business so dictates. The meeting date is set so as to allow participation of all Board Members, and Board of Directors meetings are held by participation of all members, excluding the exceptional cases under unforeseen circumstances.

In principle, Board Members participate in every meeting. Moreover, Board Members may choose to participate Board Meeting on electronic environment.

The Board's first meeting is preferably held on the same day that the Board is elected. At this first meeting, the Chairman and Deputy Chairman are elected, duty assignments are made, and committees are formed.

A draft of the agenda for a Board meeting is prepared by the CEO and finalized in line with the suggestions of the Chairman and other directors. The information and documents pertaining to items on the

Board's agenda are sent out to members to be reviewed at least seven days before the meeting. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

There is a secretariat in place for the purpose of notifying and organizing the communications with the Board of Directors. Summoning the Board of Directors meetings are made by means of phone at first, which is followed by written invitation.

Each Board Member is entitled to a single vote. 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.

Dissenting votes at Board of Directors meetings and the justifications for them are entered into the meeting's resolutions, and the auditors are notified of this situation. During 2015, no member of the Board cast a dissenting vote at Board meetings.

The Board of Directors convened 44 times between January 1, 2015 and December 31, 2015. In this period, there was not any significant transaction with any affiliated parties that would require approval of General Assembly.

Members of the Board of Directors do not have any transactions or operations that would fall under the scope of prohibition

on operation with a company, borrowing to a company or prohibition of competition with TSKB. However, permission is given by the General Assembly as per the provisions of Turkish Commerce Code Articles 395 and 396.

The possible losses resulting from mismanagement of Board of Directors and all Bank managers are under the coverage of USD 75 million insurance which is signed by Türkiye İş Bankası A.Ş. for its group companies.

### 5.3. Number, Structure and Independence of Committees Established by the Board of Directors

#### Audit Committee

According to the Banking Code Article 24, an Audit Committee established with two non-executive members of Board of Directors. Regulation regarding the assignment, authorization and liability of the Audit Committee, has been approved and entered into force.

Audit Committee has two members, which have been elected from among Non-executive Members of the Board of Directors. Current Audit Committee members are Mr. Uygur Şafak Ögün and Mr. Kemal Serdar Dişli.

Operating principles of the Audit Committee is accessible at the Bank's website.

Audit Committee has convened 23 times in the period of January 1 - December 31, 2015.

### Corporate Governance Committee

Corporate Governance Committee was formed and approved at the Board meeting on September 30, 2009, in order to accomplish the Board of Directors' activities according to CMB's Corporate Governance Principles announced published in July 2003 and revised in February 2005.

Corporate Governance Committee is formed by 2 Non-executive Members of the Board of Directors and the Investor Relations Department Manager. Current members of the Committee are Mr. Kemal Serdar Dişli (Chairman), Mr. Uygur Şafak Ögün (Member) and Mr. Ömer Eryılmaz (Member).

In accordance with the Board of Directors' decision dated February 27, 2013 numbered 2104, the regulations of the Corporate Governance Committee were amended and the duties of the Nomination Committee are incorporated into the duties and responsibilities of the Corporate Governance Committee. Aforementioned regulations were updated in line with the provisions of CMB'S Corporate Governance Communiqué, published on the Official Gazette numbered 28871 dated January 3, 2014 was approved by the Board of Directors in their Decision No: 2104 dated May 29, 2014. Corporate Governance Committee's duties, powers and responsibilities and principles and procedures that apply to their office are published on the Bank's website.

Corporate Governance Committee meets minimum 4 times a year or at anytime when requested by a member, with a predetermined agenda. The Committee has conducted 5 meetings in 2015 at the Bank's head office.

### Remuneration Committee

Remuneration Committee has been established on February 16, 2011 according to the stipulations of 1<sup>st</sup> article of the Draft Amendment on Regulation on the Banks' Corporate Governance Principles issued by BRSA and published on the Official Gazette dated November 1, 2006 and has been approved by the Board of Directors meeting dated December 27, 2011. The committee is comprised of two Members of the Board, namely Mr. Uygur Şafak Ögün and Mr. Zeynep Hansu Uçar.

Duties, authorities and responsibilities of the Remuneration Committee as well as the procedures and principles that are applicable to their office can be found at the Bank's website.

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

### 5.4. Risk Management and Internal Control Mechanism

A risk catalogue which was prepared to define the potential risks to which the bank may be exposed was approved by the Board of Directors and entered into 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 were approved by the Board of Directors and became effective.

In parallel to the provisions of "Risk Catalogue" that was prepared for measuring, assessing and managing the Bank's risks, the necessary structure was formed under Board of Directors to ensure that risk management and internal control activities are conducted in an organized way and within the framework of the risk catalogue.

An "Audit Committee" was set up within the Board of Directors to assist the Board in the performance of its audit and monitoring functions. This Committee carries out its activities under the Board of Directors 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.

### 5.5. The Company's Strategic Objectives

Strategic objectives are determined by management taking into account competitive conditions, the overall economic situation, general economic conjuncture, and the Bank's medium and long-term objectives; and they are presented to the approval of Board of Directors.

Recommended 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 the Board meetings, the Bank's activities, the performance with respect to realization budget figures and fulfillment of business targets, the Bank's position in its sector, its financial structure and performance standing and the compliance of its reporting and operations with international standards.

### 5.6. Financial Benefits

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 8,202 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is TL 428,024.

## PROFIT DISTRIBUTION PROPOSAL

Pursuant to Our Directors Board's Resolution dated February 25, 2015; the General Assembly shall be offered to reserve and distribute 2015 Net Profit of TL 406,845,152.15 as follows in accordance with Article 47 of our Articles of Association which is currently in force;

1. In accordance with paragraph (a) of 47<sup>th</sup> article of our Articles of Association, to the allocation of TL 20,342,257.61 which is 5% of the net profit as legal reserve fund,
2. In accordance with the paragraph (b) of 47<sup>th</sup> article of our Articles of Association, to the allocation of TL 115,949,466.24 as first dividend,
3. According to article 5-(1)/e of Corporate Tax Code numbered 5520, TL 19,343.75 will be classified into a specific account of Equity as "property sale income",
4. Out of the TL 270,534,084.55, the remnant after the reduction of 1-3 articles above, in accordance with the paragraph (d) of 47<sup>th</sup> article of our Articles of Association,
  - a) To the distribution of gross amount of TL 1,545.91, 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 15.46 to each founder share;
  - b) To the distribution of gross amount of TL 1,352,670.42, which is the 0.5% of the aforementioned remainder to the Members of Board of Directors and to transfer the amount corresponding to the Independent Board Member and the amount remaining after the distribution to be made to Members of the Board regarding their tenure to extraordinary reserve fund,
  - c) To the distribution of gross amount of TL 8,116,022.54, 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 47<sup>th</sup> article of our Articles of Association, to the allocation of 175 billion shares, paid-up and non-paid-up, with 1 Kuruş nominal value, (on account of 13.51717%) to be 0.1351717 Kuruş to each of them, the total amount of TL 236,550,533.76 as second profit share,
6. In accordance with 519<sup>th</sup> article of Turkish Trade Code, to the allocation of TL 947,023.89 as statutory reserve fund,
7. To the allocation of TL 23,566,288.03, the remainder, as extraordinary reserve fund,
8. To the distribution of TL 352,500,000, in full, which is the total of first and second profit shares stated in 2<sup>nd</sup> and 5<sup>th</sup> articles above, TL 52,500,000 which is 3% of the paid-in capital is to be distributed to shareholders as cash dividend and remaining TL 300,000,000 which is 17.14% of the paid-in capital, shall be distributed as stock dividend in the capital increase from TL 1,750,000,000 to TL 2,050,000,000,
9. To the distribution of dividends of the year of 2015 equivalent to TL 300,000,000 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 52,500,000 starting March 28, 2016; to recommend to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

### BOARD OF DIRECTORS

## SUMMARIZED BOARD OF DIRECTORS REPORT

Our Esteemed Shareholders,

Welcome to the 66<sup>th</sup> 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 2015 accounting period to your examination and approval.

2015 was marked by global uncertainties, and worries about growth particularly in the developing countries. During the same period, moderate recovery in the developed countries continued. While the US Dollar maintained its strong position, the oil price that started 2015 at USD 57 level, ended the year at about USD 38. On the other hand, Fed's decision taken in December 2015 to increase interest rates has been a factor that alleviated uncertainties. For the upcoming period, Fed is expected to take cautious and gradual steps. Amid the geopolitical developments and two elections in Turkey along with the financial volatilities we have seen throughout the year, Turkish Central Bank continued to stick with its tight monetary policy and macro-prudential measures. As a consequence of all these developments in 2015, we estimate that the Turkish economy has grown about 4%.

While in 2016, which indicates a weak global outlook, Turkey is expected to grow more than %3 on the back of the expenditure impact that is expected to be seen in the first two quarters as a result of the minimum wage increase, and the import opportunities that will arise from the decrease in oil prices.

As of December 2015, the total size of the banking sector assets was approximately TL 2.4 trillion while the total loan volume reached TL 1.5 trillion growing by 19.7%. The NPL ratio which was 2.8% at the end of the previous year, increased to 3.1% as of 2015 year-end. On the other hand, sector's aggregate shareholders' equity picked up by 13% and reached TL 262 billion. The capital adequacy ratio of the sector was 15.6% as of December 2015. Furthermore, the total number of banks, which was 49 in the previous year, reached 52 as of 2015 year-end.

Maintaining its robust and sound growth, TSKB figures as of the 31st of December 2015 are as follows:

- » The shareholders' equity expanded by 8.8%, and reached TL 2,488,727 thousand.
- » The loan book totaled to TL 13,675,479 thousand with a growth of 24.5%.
- » Total assets of the Bank picked up by 32%, and amounted to TL 20,734,585 thousand.

Meanwhile, its net profit for 2015 grew by 10.2% and reached TL 406,845 thousand compared to the previous year. As of 2015 year-end, the Bank delivered a capital adequacy ratio of 14.9%, a return on equity ratio of 17% and a return on assets ratio of 2.2%, whereas the NPL ratio of the Bank stood at 0.4%.

Our Esteemed Shareholders,

We hereby submit our annual report, which includes our operations in 2015, 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**



## ANNUAL REPORT COMPLIANCE OPINION

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.  
No:29 Beykoz 34805 İstanbul  
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To the General Assembly of Türkiye Sınai Kalkınma Bankası A.Ş.

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") with the audited financial statements as of 31 December 2015. The annual report is the responsibility of the Bank management. Our responsibility is to express an opinion on the Bank's annual report whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Bank dated 28 January 2016.

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 Standards which is a part of Turkish Auditing Standards published by Public Oversight, Accounting and Auditing Standards Association ("POA") and in accordance with article 397 of the 6102 numbered Turkish Commercial Code ("TCC"). 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 that 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 respect, the information regarding the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as of 31 December 2015 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law 5411 and includes Independent Auditors' report issued by us and summary of Board of Directors' Report and is consistent with the audited financial statement and explanatory notes.

### **Report on Other Regulatory Requirements**

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Türkiye Sınai Kalkınma Bankası A.Ş.'s ability to continue as a going concern in accordance with Independent Auditing Standard 570 "Going Concern".

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

**Erdal Tıkmak**  
Partner

1 March 2016  
İstanbul, Turkey



## OTHER 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 2015 issued in accordance with Article 199 of the Turkish Commercial Code no. 6102 is as stated below:

"There were 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.

Furthermore, the commercial transactions and procedures carried out by our Bank and our main shareholder, Türkiye İş Bankası A.Ş. or its subsidiaries, which have been

stated and explained in detail within the aforementioned report are transactions required in the ordinary course of our Bank's business and activities, have been realized over the 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 may not exercise its authority and control in a manner that will harm and damage its subsidiaries.

No decisions have been passed against our Bank upon the request and claim of our main shareholder, Türkiye İş Bankası A.Ş., and its subsidiaries; neither have there been any damaging transactions."

### 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 2015 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 Superonline İletişim Hizmetleri A.Ş.
2. Maintenance and Updating Service for the Internet Site received from Hedef Medya Tanıtım İnteraktif Medya Pazarlama A.Ş.

3. Riskfree Treasury Valuation System Service received from Risk Aktif Danışmanlık Eğitim Yazılım Sanayi ve Ticaret Ltd. Şti.
4. Swift Service Bureau Connectivity received from Fineksus Bilişim Çözümleri Ticaret A.Ş.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The amendment to Article 5 related to increasing our Bank's issued capital from TL 1,500,000,000 to TL 1,750,000,000 was announced in Trade Registry Gazette dated June 25, 2015 and numbered 8849 with the registration to Istanbul Trade Registry on June 10, 2015.

## RISK MANAGEMENT POLICIES

### INFORMATION ON RISK POLICIES BASED ON RISK TYPES

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles.

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the Bank. Its duties, responsibilities and structure have been established by the Regulation of Risk Management Department.

### CREDIT RISK MANAGEMENT POLICY

Credit risk is the possibility that the credit 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.

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on currency basis and at determined maturity intervals taking into account their re-pricing.

TSKB manages interest risk by acknowledging that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

### iii - Liquidity Risk Management Policy

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus incurs a loss.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the Bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, the portfolio structure is formed in line with the functions of revenue generating from the portfolio and management of the market risk. Risk return balance is constantly monitored whereas the liquidity needs are followed up at all times.

### OPERATIONAL RISK POLICY

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethical standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of Daily operations. It is essential that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

### RISK MANAGEMENT POLICY FOR SUBSIDIARIES

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

### POLICIES REGARDING OTHER RISKS

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill-timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the customers and markets. These risks are mentioned in the Bank's Risk Policies in order to increase the awareness throughout the Bank.

## STRUCTURE OF THE AUDIT COMMITTEE

### ACTIVITIES OF THE COMMITTEES ESTABLISHED WITHIN THE SCOPE OF RISK MANAGEMENT, AND NAMES AND SURNAMES OF THE CHAIRMEN AND MEMBERS OF THESE COMMITTEES

Audit Committee is composed of 2 members, which were elected among the non-executive Members of the Board of Directors. Currently, Audit Committee members are Mr. Kemal Serdar Dışlı and Mr. Uygur Şafak Ögün.

Audit Committee is responsible for;

- » Ensuring the effectiveness and adequacy of the internal audit, internal control and risk management systems within the framework of the relevant legislation, on behalf of the Board of Directors,
- » Supervising the functioning of the Internal systems, accounting and reporting systems within the framework of the Law and relevant regulations, and maintaining the integrity of the information produced,
- » Making pre-assessment for the Board of Directors to choose independent audit corporations, and corporations that provide rating, valuation and support services, and regularly monitoring the activities of these corporations that sign contract with the Bank after they are chosen by the Board of Directors,
- » Continuing and enabling the coordination of the Internal audit activities of the subsidiaries subject to consolidation in a consolidated manner,
- » Regularly receiving reports from the units established within the scope of Internal systems, and from the independent audit corporations with respect to their execution of the tasks and reporting the detected malfunctions to the Board of Directors.

All members of the Audit Committee attended the 23 meetings held by the Audit Committee in 2015.

### DIRECTORS WITHIN THE SCOPE OF INTERNAL SYSTEMS

#### AZİZ FERİT ERASLAN EXECUTIVE VICE PRESIDENT IN CHARGE OF INTERNAL SYSTEMS:

TERM OF OFFICE	PROFESSIONAL EXPERIENCE	WORKED PREVIOUSLY IN	EDUCATION
3 Months	23 Years	Isbank Financial Management Department, CJSC Isbank (Russia) Headquarters	Master's Degree Abroad

#### HEAD OF BOARD OF INTERNAL AUDITORS: MEHMET SUNGUN

TERM OF OFFICE	PROFESSIONAL EXPERIENCE	WORKED PREVIOUSLY IN	EDUCATION
2 Years	22.5 Years	Financial Analysis, Loans, Corporate Banking, Risk Management Departments	Master's Degree In Turkey

#### HEAD OF INTERNAL CONTROL: FUAT SÖNMEZ

TERM OF OFFICE	PROFESSIONAL EXPERIENCE	WORKED PREVIOUSLY IN	EDUCATION
2 Years	17 Years	System Development and Quality Management, Board of Internal Auditors, Process Management Departments	Bachelor's Degree In Turkey

#### HEAD OF RISK MANAGEMENT: ARİF SEÇKİN TOKATLI

TERM OF OFFICE	PROFESSIONAL EXPERIENCE	WORKED PREVIOUSLY IN	EDUCATION
10 Years	19 Years	Risk Management Department	PhD Degree In Turkey

## AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE'S ASSESSMENT ON FUNCTIONING OF INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AND THEIR ACTIVITIES IN 2015

Audit Committee held 23 meetings in 2015. In these meetings, the Audit Committee carried out activities to fulfill the duties and responsibilities specified within the scope of "Activities of the Committees established within the scope of Risk Management, and Names and Surnames of the Chairmen and Members of these Committees" Section of the Annual Report, and the "Regulation On The Evaluation Process of Banks' Internal Systems and Internal Capital Adequacy".

Internal audit, internal control and risk management activities in the Bank are carried out by the Board of Internal Auditors, Internal Control Department, and the Risk Management Department. Relevant departments' duties and responsibilities were specified by the regulations approved by the Board of Directors. All three departments carry out their activities under the Executive Vice President in charge of Internal Systems, who is independent from executive activities and executive units and directly reports to the Audit Committee. Evaluating the internal systems established to cover all branches and units, and subsidiaries subject to consolidated audit, their functioning, and maintaining their adequacy and effectiveness, are among the Board of Directors' priorities. Within the scope of internal systems, Board of Directors' duties and responsibilities are fulfilled by the Board of Directors, Audit Committee and the

Executive Vice President who is in charge of Internal Audit, Internal Control and Risk Management activities and Internal Systems.

### BOARD OF INTERNAL AUDITORS

Board of Internal Auditors provides assurance in; i) carrying out bank activities in line with the Law and other relevant legislation as well as the internal strategies, policies, principles and targets of the bank, and ii) effectiveness and adequacy of the internal control and risk management systems. Planning and carrying out its audit activities with risk oriented approach, the Audit Board evaluates the potential risks in Headquarters units, two branches, subsidiaries and all Bank processes, and evaluates whether or not internal control, risk management and corporate governance systems are compliant, effective and efficient.

Board of Internal Auditors does not only deliver findings as a result of the audits it conducts. It also develops opinions and suggestions that will prevent deficiencies, faults and misconducts (if any) from repeating, develop processes, increase efficiency and effectiveness and strengthen internal systems. Furthermore, it follows up the findings and related measures taken closely as well as providing information about the developments with respect to the issues tracked in the Audit Committee meetings held during the year.

Board of Internal Auditors creates national / international certification and training opportunities necessary for professional development of the bank examiners.

In 2015, Board of Auditors conducted 42 audits in total, covering the departments, Bank's 2 branches and subsidiaries as well as the firms from which the Bank procured banking processes and support services.

As a result of the audits and assessments made in 2015, there have not been any material finding identified, that may have negative impact on the Bank's activities, and hinder the Bank from fulfilling its liabilities. It was concluded that; the Bank's Internal control and risk management systems functioned well, Bank's activities had low risk in general, financial and legal reports were accurate, Bank complied with the legislation.

In conclusion; the internal audit system was effective and successful in measuring, detecting and eliminating risks with its risk oriented approach, qualified human resources, experienced and prudent management.

### INTERNAL 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. Within this scope, internal control activities are carried out by the competent and experienced internal control personnel.



## AUDIT COMMITTEE REPORT

In addition to the current control activities, the number and scope of the control activities in activity fields determined with a risk oriented approach was also expanded in 2015. Necessary control points were determined and established actively participating in new project and systemic infrastructure improvement activities carried out in the Bank. Furthermore, the internal controls with respect to the business processes and procedures related to the main activities of the Bank were reviewed and approved during their establishment and update, by the Internal Control Department.

Notifications made by the legal authorities within the scope of compliance obligations, and regulations were tracked with the relevant departments. Moreover, Internal Control Department participated in the compliance projects carried out regarding the new regulations issued. Monitoring and control activities continued for the obligations and activities stipulated in the Law n.5549 on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism while support was given to the training programs organized for the Bank employees regarding the Prevention of Laundering of Proceeds of Crime and Financing of Terrorism.

On the back of all these activities carried out by the Internal Control Department, significant contribution was made to execution of the Bank activities in compliance with the relevant legal regulations and legislation, in a more efficient and effective control environment.

### RISK MANAGEMENT

The risk management process, which is organized under risk management regulations and serves for the establishment of a companywide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities. Risk Management Department; i) carries out these activities developing the systems needed within this scope, ii) monitors risks' compliance with policies and standards, and Bank limits, iii) continues the activities for compliance with the relevant legal legislation and the Basel criteria. Risk measurements specified in reportings, are made with an approach developed in internal models besides the standard approach used in legal reportings, while they are also supported with the stress tests.

Risk Management Department presents its detailed risk management reports, issued monthly and quarterly on consolidated basis, via Audit Committee to the Board of Directors. In 2015, in addition to the reports presented to the Board of Directors; risk and capital adequacy measuring and reporting activities for legal and MIS purposes continued, activities of new implementation, development, and adaptation to new legislation updates regarding reporting were carried out.

In 2015, activities of the Internal Capital Adequacy Assessment Process (ICAAP) and its reporting process, were coordinated. Within this scope, detailed stress tests and scenario analysis were conducted, and

projections were made for future period's capital requirement. Validation, calibration and developing of the internal models used for measuring risks with an advanced approach, continued. Activities were carried out to comply with the various legal regulations and Risk Guidelines, and the Capital Adequacy Policy of the Bank was updated.

Audit Committee continued to present its opinions to the Board of Directors regarding the issues such as; the results of its activities in 2015, and measures to be taken; practices that need to be implemented; and other issues necessary for the continuity of the Bank activities.

As a result of the Audit Committee's evaluations and reviews, it was seen that the Bank's internal systems were effectively functioning as they were planned, and that the internal controls made for financial reporting were effective. Furthermore in these meetings, the Committee reviewed the support services purchased by the Bank, and monitored the activities performed to take measures necessary for managing risks in this process more effectively.

When the activities and functioning of internal systems' - internal audit, internal control and risk management - in 2015 is evaluated in general; we believe that the activities performed were highly qualified and satisfactory.

**KEMAL SERDAR DIŞLI**  
Member of the Audit Committee

**UYGAR ŞAFAK ÖĞÜN**  
Member of the Audit Committee

## ASSESSMENT OF FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

Despite volatilities in the financial markets emanating from domestic and international uncertainties in 2015, the Bank continued to demonstrate a successful performance in line with its budgeted figures. TSKB's total asset size reached TL 20,735 million with an annual TL terms growth of 32.1 percent while its asset size on USD basis amounted to USD 7,162 million.

In 2015, the total amount of loan agreements signed was USD 2 billion whereas total loan disbursements reached USD 1.3 billion. Depending on the refinances and sluggish demand owing to fluctuations in the financial markets, the Bank's FX adjusted loan growth guidance which was 15% was undershot. However, the TL terms loan growth came in at the projected levels. Having expanded by 24.5% in TL terms and 5% on FX adjusted basis, the total loan portfolio amounted to TL 13,675 million.

The ratio of loan to total assets as of the end of 2015 was around 66% (2014: 69.9%). The breakdown of the loan portfolio by currency type (including FX-indexed loans) was in line with the composition of funds borrowed: 36% EUR, 57% USD. The weight of TL loans reached 7% of the loan portfolio. 93% of our loan portfolio consists of foreign currency medium and long-term investment and working capital loans.

The energy production, electricity distribution, energy and resource efficiency and food sectors made up a significant concentration in the loan disbursements in 2015. With respect to the sectoral breakdown of the loan portfolio, the energy production sector constitutes 33%, which is followed by finance sector with 12% and electricity/gas distribution with 9% shares. The ratio of the energy and resource efficiency loans in the total portfolio reached 10% as of 2015 year-end.

The ratio of non-performing loans -100% provisioned- to total gross loan book was 0.4 (2014: 0.2%) as of 2014. The nominal amount of non-performing loans equaled to TL 59.4 million.

Compared to the previous year, non-cash loans went up by 22.7% to TL 1,783 million (2014: TL 1,453 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 87% in 2015 (2014: 86%).

Securities portfolio, which makes up the second biggest asset category after loans with a ratio of 18.5%, reached TL 3,835 million with 10.1% pick up compared to previous year. The total security book comprises of Available for Sale and Held to Maturity portfolios with 77% and 23%, respectively, and TL securities constitute 74% of the book. On the back of redemptions and new security investments depending on the global conjuncture and Central Bank's policies, there has not been a major change in the composition of the security portfolio in 2015.

While the weight of CPI-linkers in the TL portfolio as of the year-end increased significantly to 37% from 35% of the previous year-end, the weight of the all floating rate notes including CPI-linkers fell back to 67% from 68%. Accordingly, the weight of fixed rate notes slightly went up to 33% from 32%. Since the funding costs hovered around high levels during the year due to tightening policy of Central Bank of Turkey, there was an increase in the average funding cost of the Bank compared to previous year. The yield of TL securities on the other hand, was 10.1% in 2015. 20% of TL securities was funded by repo funding which costed 10%.

## ASSESSMENT OF FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

Surging up by 34.5% compared to previous year, the funds borrowed reached TL 13,445 million, almost all of which consists of foreign currency denominated funds secured from supranational institutions. 92% of our funds consist of medium and long-term loans. These long-term funds are used to finance the asset side lending. 88% 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 2015, as well. Throughout the whole year, TSKB signed thematic funding agreements equaling in total to USD 340 million which composes of USD 150 million from JBIC, EUR 100 million from EIB and USD 75 million from IFC. Moreover, the Bank secured a syndication loan amounting to USD 256 million with the participation of 17 banks. Besides, the Bank issued its second Eurobond amounting to USD 350 million in the international markets. As a result, total funding received from abroad has been USD 950 million in 2015.

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 8.8%, compared to previous year, to TL 2,489 million, the Bank recorded a capital adequacy ratio of 14.9% (Capital Adequacy Ratio in 2014: 18.1%). The Bank has TL 2.1 billion in free capital, which corresponds to 10.1% of its total assets (2014: 12.3%). The free capital consists entirely of liquid assets.

The pretax profit reached TL 508.5 million with a 10.1% expansion, while net profit amounted to TL 406.8 million which was up by 10.2% year-on-year basis. Accordingly, the average return on equity for the year was recorded as 17.0% while the Bank's return on assets ratio was 2.2%.

The net interest income in 2015 picked up by 14.4% year-on-year basis and reached TL 625.1 million. Net interest margin was 3.7% (2014:4.2%). The main culprit behind this decline was relatively higher cost of Eurobond issuances. To note, we expect to see improvement in NIM next year.

The dividend income of the Bank soared up by 36.8% compared to the previous year. On the other hand, there was an annual increase of 6% in the other operating income in 2015.

Other operating expenses which include the personnel and other operating expenses contracted by 11.2% compared to previous year. When one-off tax penalty paid in 2014 is not taken into account, there is 10.1% increase in the other operating expenses. The cost to income ratio of the Bank was recorded as 14.3% (2014: 14%).

The total amount of donations and grants equaled to TL 14,670 in 2015. The expenses incurred for the social responsibility projects amounted to TL 256,507.

At the end of 2015, the ratio of TSKB's interest-bearing assets to total assets was 93%. Such a high level is another factor that enhances the Bank's solvency. Moreover, 100% of the loans are financed through long-term funds. The Bank's active role in capital markets and its long-term and sustainable funding structure on the back of close and long-term relationships with supranational organizations are expected to have a persistent positive impact on both profitability and solvency of the Bank.

The foreign currency adjusted loan growth guidance of the Bank for 2016 is 12%. With respect to new disbursements, TSKB will focus on renewable energy projects (particularly geothermal and solar power projects), environment related projects, energy and resource efficiency projects, public-private partnership projects and investments, such as SME finance, that bolster sustainable development.

# TÜRKİYE SİNAİ KALKINMA BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015  
(CONVENIENCE TRANSLATION OF UNCONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)  
WITH INDEPENDENT AUDITORS' REPORT THEREON

*Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi  
28 January 2016*

*This report contains "Independent Auditors' Report" comprising 1 page and;  
"Unconsolidated Financial Statements and Related Disclosures and Footnotes"  
comprising 108 pages.*







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#### Convenience Translation of the Auditors' Report

Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

To the Board of Directors of Türkiye Sınai Kalkınma Bankası Anonim Şirketi;  
Report on the Unconsolidated Financial Statements

We have audited the unconsolidated financial statements of Türkiye Sınai Kalkınma Bankası ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2015 and the unconsolidated statement of income, statement of income and expense items accounted under shareholders' equity, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Sınai Kalkınma Bankası AŞ as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

#### Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TTK and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Erdal Tıkmak  
Partner, SMMM

28 January 2016  
İstanbul, Turkey

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

The accounting principles summarized in note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

# THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2015

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Web Site: <http://www.tskb.com.tr>

E-mail Address for communication: NAZLICAA@tskb.com.tr

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE 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.

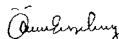
28 January 2016



**Adnan BALİ**  
Chairman of Board of  
Directors



**Özcan TÜRKAKIN**  
Member of Board of  
Directors and General  
Manager



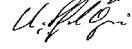
**Ömer ERYILMAZ**  
Executive Vice President  
in Charge of Financial  
Reporting



**Tolga SERT**  
Head of  
Financial Control  
Department



**Kemal Serdar DİŞLİ**  
Member of Audit  
Committee



**Uygur Şafak ÖĞÜN**  
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

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# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION ONE

##### GENERAL INFORMATION

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

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 status 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	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	880.723	50,33	880.723	-
T. Vakıflar Bankası T.A.O.	146.606	8,38	146.606	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	722.671	41,29	722.671	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>
<b>Prior Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b>Name Surname/Commercial Title</b>				
T. İş Bankası A.Ş. Group	750.002	50,00	750.002	-
T. Vakıflar Bankası T.A.O.	125.662	8,38	125.662	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	624.336	41,62	624.336	-
<b>Total</b>	<b>1.500.000</b>	<b>100,00</b>	<b>1.500.000</b>	<b>-</b>

<sup>(\*)</sup>T. İş Bankası A.Ş. Group share is calculated by considering T. İş Bankası A.Ş.'s purchases in free floating of BIST in December 2015 of Bank shares.

Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,33% of the shares belongs to İş Bank Group and 39,3% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 and responsibilities in the Bank

The Chairman and The Members of Board of Directors:

Name Surname <sup>(6)</sup>	Title <sup>(1)</sup>
Adnan Bali	Chairman of the Board of Directors
Kemal Serdar Dişli	Vice Chairman of the Board of Directors and Member of the Audit Committee
Halil Aydoğan	Member of the Board of Directors
Murat Bilgiç	Member of the Board of Directors
Yavuz Canevi <sup>(2)</sup>	Member of the Board of Directors
Zeynep Cansu Uçar <sup>(4)</sup>	Member of the Board of Directors
Uygur Şafak Öğün	Member of the Board of Directors and Audit Committee
Ebru Özşuca	Member of the Board of Directors
Özcan Türkakin	Member of the Board of Directors and General Manager
Kamil Yılmaz	Member of the Board of Directors

#### General Manager and Vice Presidents

Name Surname <sup>(5)</sup>	Title / Area of Responsibility
Özcan Türkakin	General Manager
Burak Akgüç	Vice President – Corporate Marketing and Project Finance
Ömer Eryılmaz	Vice President – Financial Control, Budget Planning and Investor Relations and Corporate Compliance
Çiğdem İçel	Vice President – Financial Institutions, Treasury and Development Finance Institutions
Ufuk Bala Yücel	Vice President – Loans
B. Gökhan Çanakpınar	Vice President – Information Technology and Operation
Ece Börü	Vice President – Enterprise Architecture and Human Resources
Hakan Aygen	Vice President – Corporate Finance and Economic Research
Aziz Ferit Eraslan <sup>(3)</sup>	Vice President – Internal Systems

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

<sup>(2)</sup> Yavuz Canevi was elected to Board Member pursuant to General Assembly held on 26 March 2015, due to the resignation of Durmuş Yılmaz in accordance with the Board of Directors resolution on 26 March 2015. 9 April 2015 is oath date in order to start vacant position of Yavuz Canevi.

<sup>(3)</sup> In the Board of Directors meeting held on 30 September 2015, Aziz Ferit Eraslan was appointed to Vice President of Internal Systems as of 01 October 2015. Aziz Ferit Eraslan has started his duty on 15 October 2015 after completion of the legal procedures stated in Banking Law.

<sup>(4)</sup> Zeynep Hansu Uçar was elected as Board Member due to the resignation of Ertan Burhanettin Kantar in accordance with the Board of Directors resolution dated 27 November 2015. 2 December 2015 was oath date in order to start vacant position of Zeynep Hansu Uçar.

<sup>(5)</sup> A. Orhan Beşkök has retired on 31 October 2015 from the duty of Senior Vice President of Technical Services and Financial Institutions as mentioned in the Board of Directors resolution dated 30 October 2015.

<sup>(6)</sup> According to Board of Directors meeting held on 30 December 2015, Burhanettin Aktaş, the member of Board of Director, has resigned on 21 December 2015.

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 the independent auditor for the year 2015 in the General Assembly Meeting held on 26 March 2015.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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

Explanation about the persons and institutions that have qualified shares control the Bank's capital directly or indirectly are described in General Information Section II.

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

Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") is the first private development and investment 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 financing 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., 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.

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 in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION ONE (Continued)

##### GENERAL INFORMATION (Continued)

**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 (continued)**

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 59,00%. The company's headquarters is located at Istanbul/Turkey.

##### İş Finansal Kiralama A.Ş. :

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 28,56% and the share of Türkiye İş Bankası A.Ş. is 27,79%. The company's headquarters is located at Istanbul/Turkey.

##### İş Faktoring A.Ş. :

İş Faktoring A.Ş. ("İş Faktoring"), 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%. The company's headquarters is located at Istanbul/Turkey.

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67% in which the share of İş Yatırım Menkul Değerler A.Ş. is 29,01%. The company's headquarters is located at Istanbul/Turkey.

#### 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 updated by the meeting of the Board of Directors has entered into force on 28 February 2014. 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 Bank's corporate website.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014			
	ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	40.438	770.676	811.114	31.636	476.152	507.788
II.	FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	37.429	159.786	197.215	15.440	56.491	71.931
2.1	Trading financial assets		37.429	159.786	197.215	15.440	56.491	71.931
2.1.1	Public sector debt securities		28.233	-	28.233	-	-	-
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		9.196	159.786	168.982	15.440	56.491	71.931
2.1.4	Other marketable securities		-	-	-	-	-	-
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		-	-	-	-	-	-
III.	BANKS	(3)	324	534.505	534.829	22.052	100.266	122.318
IV.	MONEY MARKET PLACEMENTS		1.080.274	-	1.080.274	104.913	-	104.913
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		1.080.274	-	1.080.274	104.913	-	104.913
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.123.150	847.819	2.970.969	2.955.908	558.988	3.514.896
5.1	Share certificates		26.901	10.120	37.021	26.807	6.240	33.047
5.2	Public sector debt securities		1.793.224	831.327	2.624.551	2.491.044	530.019	3.021.063
5.3	Other marketable securities		303.025	6.372	309.397	438.057	22.729	460.786
VI.	LOANS AND RECEIVABLES	(5)	2.414.222	11.261.257	13.675.479	2.525.172	8.455.448	10.980.620
6.1	Loans and receivables		2.414.222	11.261.257	13.675.479	2.525.172	8.455.448	10.980.620
6.1.1	Loans to the risk group of the Bank		388.155	207.989	596.144	331.219	126.710	457.929
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		2.026.067	11.053.268	13.079.335	2.193.953	8.328.738	10.522.691
6.2	Non performing loans		57.754	1.651	59.405	14.897	2.039	16.936
6.3	Specific provisions (-)		(57.754)	(1.651)	(59.405)	(14.897)	(2.039)	(16.936)
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	715.194	157.408	872.602	-	-	-
8.1	Public sector debt securities		715.194	157.408	872.602	-	-	-
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	156.008	-	156.008	161.038	-	161.038
9.1	Accounted for under equity method		-	-	-	-	-	-
9.2	Unconsolidated associates		156.008	-	156.008	161.038	-	161.038
9.2.1	Financial investments		154.453	-	154.453	159.483	-	159.483
9.2.2	Non-financial investments		1.555	-	1.555	1.555	-	1.555
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	122.699	-	122.699	134.204	-	134.204
10.1	Unconsolidated financial subsidiaries		122.320	-	122.320	133.825	-	133.825
10.2	Unconsolidated non-financial subsidiaries		379	-	379	379	-	379
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
11.1	Consolidated under equity method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial subsidiaries		-	-	-	-	-	-
11.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1	Finance lease receivables		-	98	98	-	87	87
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income ( - )		-	(98)	(98)	-	(87)	(87)
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	4.093	4.093	-	-	-
13.1	Fair value hedge		-	4.093	4.093	-	-	-
13.2	Cash flow hedge		-	-	-	-	-	-
13.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(12)	48.515	-	48.515	10.262	-	10.262
XV.	INTANGIBLE ASSETS (Net)	(13)	686	-	686	690	-	690
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		686	-	686	690	-	690
XVI.	INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVII.	TAX ASSET	(15)	22.911	-	22.911	14.920	-	14.920
17.1	Current tax asset		-	-	-	-	-	-
17.2	Deferred tax asset		22.911	-	22.911	14.920	-	14.920
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1	Assets held for sale		-	-	-	-	-	-
18.2	Assets of discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	56.133	181.058	237.191	30.337	46.796	77.133
TOTAL ASSETS			6.817.983	13.916.602	20.734.585	6.006.572	9.694.141	15.700.713

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014			
	LIABILITIES	Note Ref.	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
1.1	Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	42.933	130.498	173.431	5.371	59.460	64.831
III.	FUNDS BORROWED	(3)	196.001	13.102.950	13.298.951	3.068	9.876.550	9.879.618
IV.	MONEY MARKET BALANCES		2.123.487	45.994	2.169.481	1.922.659	239.835	2.162.494
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements		2.123.487	45.994	2.169.481	1.922.659	239.835	2.162.494
V.	MARKETABLE SECURITIES ISSUED (Net)	(3)	-	2.037.571	2.037.571	-	813.824	813.824
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	2.037.571	2.037.571	-	813.824	813.824
VI.	BORROWER FUNDS		1.690	28.987	30.677	623	38.458	39.081
6.1	Borrower funds		1.690	28.987	30.677	623	38.458	39.081
6.2	Others		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		93.141	24.104	117.245	70.688	13.859	84.547
VIII.	OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	(5)	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses ( - )		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	5.799	5.799	-	-	-
11.1	Fair value hedge		-	5.799	5.799	-	-	-
11.2	Cash flow hedge		-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	(7)	220.045	-	220.045	215.929	-	215.929
12.1	General loan loss provisions		150.329	-	150.329	125.194	-	125.194
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		9.133	-	9.133	7.735	-	7.735
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		60.583	-	60.583	83.000	-	83.000
XIII.	TAX LIABILITY	(8)	46.822	-	46.822	36.239	-	36.239
13.1	Current tax liability		46.822	-	46.822	36.239	-	36.239
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	145.836	145.836	-	116.065	116.065
XVI.	SHAREHOLDERS' EQUITY		2.477.439	11.288	2.488.727	2.237.173	50.912	2.288.085
16.1	Paid-in capital	(11)	1.750.000	-	1.750.000	1.500.000	-	1.500.000
16.2	Capital reserves		(33.228)	11.288	(21.940)	61.408	50.912	112.320
16.2.1	Share premium		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	(11)	(64.633)	11.288	(53.345)	51.714	50.912	102.626
16.2.4	Tangible assets revaluation differences		31.348	-	31.348	9.320	-	9.320
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		57	-	57	374	-	374
16.3	Profit reserves		353.822	-	353.822	306.491	-	306.491
16.3.1	Legal reserves	(11)	192.634	-	192.634	173.329	-	173.329
16.3.2	Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3	Extraordinary reserves	(11)	82.703	-	82.703	54.612	-	54.612
16.3.4	Other profit reserves		2.844	-	2.844	2.909	-	2.909
16.4	Profit or loss		406.845	-	406.845	369.274	-	369.274
16.4.1	Prior years' income/losses		-	-	-	-	-	-
16.4.2	Current year income/loss		406.845	-	406.845	369.274	-	369.274
TOTAL LIABILITIES AND EQUITY			5.201.558	15.533.027	20.734.585	4.491.750	11.208.963	15.700.713

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

### AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
	Note Ref.	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>3,573.336</b>	<b>22.330.276</b>	<b>25.903.612</b>	<b>2.078.989</b>	<b>11.413.484</b>	<b>13.492.473</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>390.801</b>	<b>1.391.865</b>	<b>1.782.666</b>	<b>431.847</b>	<b>1.021.222</b>	<b>1.453.069</b>
1.1 Letters of guarantee		390.801	805.948	1.196.749	431.847	525.125	956.972
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		390.801	805.948	1.196.749	431.847	525.125	956.972
1.2 Bank acceptances		-	19.027	19.027	-	-	-
1.2.1 Import letters of acceptance		-	19.027	19.027	-	-	-
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	566.890	566.890	-	496.097	496.097
1.3.1 Documentary letters of credit		-	566.890	566.890	-	496.097	496.097
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		-	-	-	-	-	-
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>526.242</b>	<b>3.583.563</b>	<b>4.109.805</b>	<b>393.387</b>	<b>2.269.162</b>	<b>2.662.549</b>
2.1 Irrevocable commitments		93.660	303.401	397.061	15.597	137.316	152.913
2.1.1 Forward asset purchase and sales commitments		55.547	55.042	110.589	12.879	40.776	53.655
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		-	-	-	-	59.930	59.930
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		38.113	248.359	286.472	2.718	36.610	39.328
2.2 Revocable commitments		432.582	3.280.162	3.712.744	377.790	2.131.846	2.509.636
2.2.1 Revocable loan granting commitments		432.582	3.280.162	3.712.744	377.790	2.131.846	2.509.636
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>2.656.293</b>	<b>17.354.848</b>	<b>20.011.141</b>	<b>1.253.755</b>	<b>8.123.100</b>	<b>9.376.855</b>
3.1 Derivative financial instruments for hedging purposes		-	4.689.900	4.689.900	-	-	-
3.1.1 Fair value hedge		-	4.689.900	4.689.900	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		2.656.293	12.664.948	15.321.241	1.253.755	8.123.100	9.376.855
3.2.1 Forward foreign currency buy/sell transactions		47.844	359.244	407.088	20.400	28.697	49.097
3.2.1.1 Forward foreign currency transactions-buy		23.898	180.556	204.454	18.765	5.780	24.545
3.2.1.2 Forward foreign currency transactions-sell		23.946	178.688	202.634	1.635	22.917	24.552
3.2.2 Swap transactions related to f.c. and interest rates		1.554.677	10.793.868	12.348.545	549.286	7.216.864	7.766.150
3.2.2.1 Foreign currency swaps-buy		621.999	1.978.589	2.600.588	200.539	1.129.978	1.330.517
3.2.2.2 Foreign currency swaps-sell		887.822	1.671.255	2.559.077	301.371	961.302	1.262.673
3.2.2.3 Interest rate swaps-buy		22.428	3.572.012	3.594.440	23.688	2.562.792	2.586.480
3.2.2.4 Interest rate swaps-sell		22.428	3.572.012	3.594.440	23.688	2.562.792	2.586.480
3.2.3 Foreign currency, interest rate and securities options		1.053.772	1.422.626	2.476.398	684.069	802.862	1.486.931
3.2.3.1 Foreign currency options-buy		526.886	711.313	1.238.199	343.260	401.258	744.518
3.2.3.2 Foreign currency options-sell		526.886	711.313	1.238.199	340.809	401.604	742.413
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	89.210	89.210	-	74.677	74.677
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>32.899.924</b>	<b>146.256.211</b>	<b>179.156.135</b>	<b>25.996.948</b>	<b>106.727.166</b>	<b>132.724.114</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2.053.865</b>	<b>89.752</b>	<b>2.143.617</b>	<b>1.854.976</b>	<b>256.182</b>	<b>2.111.158</b>
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		53.414	89.752	143.166	101.463	256.182	357.645
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		-	-	-	-	-	-
4.8 Custodians		2.000.451	-	2.000.451	1.753.513	-	1.753.513
<b>V. PLEDGED ITEMS</b>		<b>20.595.003</b>	<b>87.930.136</b>	<b>108.525.139</b>	<b>14.028.396</b>	<b>64.070.805</b>	<b>78.099.201</b>
5.1 Marketable securities		450.939	5.057.844	5.508.783	422.936	3.759.727	4.182.663
5.2 Guarantee notes		80.234	1.661.953	1.742.187	117.157	1.571.990	1.689.147
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		355.357	24.469.785	24.825.142	353.857	21.024.939	21.378.796
5.6 Other pledged items		19.708.473	56.740.554	76.449.027	13.134.446	37.714.149	50.848.595
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>10.251.056</b>	<b>58.236.323</b>	<b>68.487.379</b>	<b>10.113.576</b>	<b>42.400.179</b>	<b>52.513.755</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>36.473.260</b>	<b>168.586.487</b>	<b>205.059.747</b>	<b>28.075.937</b>	<b>118.140.650</b>	<b>146.216.587</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Note Ref.	Audited Current Period 1 January 2015 – 31 December 2015	Audited Prior Period 1 January 2014 – 31 December 2014
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>1.079.798</b>	<b>801.367</b>
1.1 Interest on loans		661.749	503.328
1.2 Interest received from reserve deposits		1.235	53
1.3 Interest received from banks		3.459	1.096
1.4 Interest received from money market placements		95.685	14.318
1.5 Interest received from marketable securities portfolio		317.478	282.468
1.5.1 Financial assets held for trading		1.699	361
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		286.924	282.107
1.5.4 Investments held-to-maturity		28.855	-
1.6 Finance lease income		1	65
1.7 Other interest income		191	39
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>(454.727)</b>	<b>(255.135)</b>
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(174.152)	(108.961)
2.3 Interest on money market borrowings		(187.500)	(138.095)
2.4 Interest on securities issued		(92.869)	(8.025)
2.5 Other interest expense		(206)	(54)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>625.071</b>	<b>546.232</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>11.418</b>	<b>11.164</b>
4.1 Fees and commissions received		13.813	12.141
4.1.1 Non-cash loans		11.488	9.712
4.1.2 Other		2.325	2.429
4.2 Fees and commissions paid		(2.395)	(977)
4.2.1 Non-cash loans		(8)	(4)
4.2.2 Other		(2.387)	(973)
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>33.604</b>	<b>24.568</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>(1.983)</b>	<b>14.625</b>
6.1 Securities trading gains/ (losses)		3.651	(1.605)
6.2 Derivative financial instruments gains/losses		(106.758)	(66.817)
6.3 Foreign exchange gains/losses (net)		101.124	83.047
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>41.829</b>	<b>39.470</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>709.939</b>	<b>636.059</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(100.025)</b>	<b>(60.110)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(101.459)</b>	<b>(114.271)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>508.455</b>	<b>461.678</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>	<b>(8)</b>	<b>508.455</b>	<b>461.678</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(101.610)</b>	<b>(92.404)</b>
16.1 Provision for current income taxes		(76.641)	(120.210)
16.2 Provision for deferred taxes		(24.969)	27.806
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>406.845</b>	<b>369.274</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>	<b>(11)</b>	<b>406.845</b>	<b>369.274</b>
Earnings / losses per share		0,232	0,211

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



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Audited Current Period 1 January 2015– 31 December 2015	Audited Prior Period 1 January 2014– 31 December 2014
<b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(171.362)</b>	<b>141.163</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>32.014</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>-</b>	<b>-</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)</b>	<b>-</b>	<b>-</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(18.789)</b>	<b>(6.532)</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>32.960</b>	<b>(27.922)</b>
<b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(125.177)</b>	<b>106.709</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>406.845</b>	<b>369.274</b>
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	8.756	(136)
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	398.089	369.410
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>281.668</b>	<b>475.983</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

CHANGES IN SHAREHOLDERS' EQUITY	Note Ref.	Paid Incapital	Other Capital Reserves	Share Premiums	Share Cancellation Profit	Share	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase / Decrease	Tangible and Intangible Assets Revaluation Differences	Shareholders' Equity Before Non-controlling interest	Shareholders' Equity
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>																
<b>Prior Period - 31 December 2014</b>																
I. Opening Balance		1,300,000	374	-	-	-	156,268	75,641	18,597	3,500	-	326,057	(4,673)	8,320	-	1,884,684
II. Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	107,299	-	107,299	-
V. Hedging (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign currency translation in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	(400)	-	400	-	-
IX. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		200,000	-	-	-	-	-	-	-	-	-	(200,000)	-	-	-	-
XV. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share issuance		200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Period net income		-	-	-	-	-	-	-	-	-	369,274	(125,657)	-	-	(591)	369,274
XX. Profit distribution		-	-	-	-	-	17,061	-	36,015	-	-	(125,657)	-	-	(72,581)	369,274
XXI. Dividends distributed		-	-	-	-	-	-	-	-	-	-	(72,581)	-	-	(72,581)	369,274
XXII. Transfers to reserves		-	-	-	-	-	17,061	-	36,015	-	-	(53,076)	-	-	(72,581)	369,274
XXIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>		<b>1,500,000</b>	<b>374</b>	-	-	-	<b>173,329</b>	<b>75,641</b>	<b>54,612</b>	<b>2,809</b>	<b>369,274</b>	-	<b>102,626</b>	<b>9,320</b>	-	<b>2,288,085</b>
<b>Current Period - 31 December 2015</b>																
I. Opening Balance		1,500,000	374	-	-	-	173,329	75,641	54,612	2,809	-	369,274	102,626	9,320	-	2,288,085
II. Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	(158,398)	-	(158,398)	-
V. Hedging (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign currency translation in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		250,000	-	-	-	-	-	-	-	-	-	(234,000)	-	(16,000)	-	-
XV. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share issuance		250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Period net income		-	-	-	-	-	-	-	-	-	406,845	(127,458)	-	-	406,845	-
XX. Profit distribution		-	-	-	-	-	19,305	-	28,091	-	-	(127,458)	-	-	(80,262)	-
XXI. Dividends distributed		-	-	-	-	-	-	-	-	-	-	(80,262)	-	-	(80,262)	-
XXII. Transfers to reserves		-	-	-	-	-	19,305	-	28,091	-	-	(47,396)	-	-	-	-
XXIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>		<b>1,750,000</b>	<b>57</b>	-	-	-	<b>192,634</b>	<b>75,641</b>	<b>82,703</b>	<b>2,844</b>	<b>406,845</b>	-	<b>(53,345)</b>	<b>31,148</b>	-	<b>2,488,727</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Note Ref	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>1.175.212</b>	<b>289.917</b>
1.1.1 Interest received		1.151.738	542.908
1.1.2 Interest paid		(404.465)	(235.955)
1.1.3 Dividends received		8.376	9.205
1.1.4 Fees and commissions received		13.813	12.141
1.1.5 Other income	(1)	123.966	19.538
1.1.6 Collections from previously written off loans		894	9.466
1.1.7 Payments to personnel and service suppliers		(66.336)	(57.844)
1.1.8 Taxes paid		(67.186)	(144.097)
1.1.9 Others	(1)	414.412	134.555
<b>1.2 Changes in operating assets and liabilities</b>		<b>21.553</b>	<b>(534.180)</b>
1.2.1 Net (increase) decrease in financial assets		(28.145)	-
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		(202)	-
1.2.4 Net (increase) decrease in loans		(1.258.836)	(1.833.960)
1.2.5 Net (increase) decrease in other assets	(1)	(492.869)	(191.931)
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		1.774.181	869.260
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	27.424	622.451
<b>I. Net cash provided by/(used in) banking operations</b>		<b>1.196.765</b>	<b>(244.263)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided by/(used in) investing activities</b>		<b>(694.099)</b>	<b>(318.873)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	-	(200)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	233
2.3 Fixed asset purchases	(2)	(19.687)	(6.689)
2.4 Fixed asset sales	(3)	11.477	2.935
2.5 Cash paid for purchase of financial assets available for sale		(1.550.781)	(1.460.647)
2.6 Cash obtained from sale of financial assets available for sale		859.363	1.145.838
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		5.832	-
2.9 Others	(2)	(303)	(343)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided by/(used in) financing activities</b>		<b>845.485</b>	<b>733.572</b>
3.1 Cash obtained from funds borrowed and securities issued		927.430	806.153
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(80.262)	(72.581)
3.5 Payments for finance leases		-	-
3.6 Other		(1.683)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(1)</b>	<b>43.025</b>	<b>5.105</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>1.391.176</b>	<b>175.541</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>(4)</b>	<b>261.102</b>	<b>85.561</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>(4)</b>	<b>1.652.278</b>	<b>261.102</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Audited Current Period 31 December 2015 <sup>(*)</sup>	Audited Prior Period 31 December 2014
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	508.455	461.678
1.2 TAXES AND DUTIES PAYABLE	(101.610)	(92.404)
1.2.1 Corporate Tax (Income tax)	(76.641)	(120.210)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(24.969)	27.806
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>406.845</b>	<b>369.274</b>
1.3 PRIOR YEARS LOSSES (-) <sup>(*)</sup>	-	-
1.4 FIRST LEGAL RESERVES (-)	-	18.464
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>406.845</b>	<b>350.810</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	102.968
1.6.1 To owners of ordinary shares	-	102.968
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 (-)	-	7.207
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.201
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	203.032
1.9.1 To owners of ordinary shares	-	203.032
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 (-)	-	841
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	27.945
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	7.616
<b>II. DISTRIBUTION OF RESERVES</b>	<b>-</b>	<b>-</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<sup>(**)</sup></b>		
3.1 TO OWNERS OF ORDINARY SHARES	0,23	0,21
3.2 TO OWNERS OF ORDINARY SHARES (%)	23,25	21,10
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	-	0,20
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,40
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(\*)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2015 yet, only profit available for distribution for the year 2015 is presented.

<sup>(\*\*)</sup> A nominal value of 1 Kurus figures a share in unconsolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kurus.

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

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 financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and 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 fixed and floating 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 a flexibility of reflecting changes in the market interest rates to the 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 fixed rate Eurobond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognised under the statement of profit/loss.

In the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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. While 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:

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the anticipated possible 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 changes in cross currency parity. Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources. The hedging strategies for other foreign exchange risk exposures:

A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific 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

The 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 Bank are foreign currency forwards, swaps and option agreements.

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. The derivatives instruments including both economic hedges and derivatives specified as hedging items are classified as either "trading purposes" or "hedging purposes" as per the Turkish Accounting Standard ("TAS 39") "Financial Instruments: Recognition and Measurement".

When a derivative financial instrument, is originally designed as a hedge by the Bank, the relationship between the Bank's financial risk from hedged item and the hedging instrument, the risk management objectives and strategy of hedging transaction and the methods that will be used in the measurement of effectiveness, describe in written. The bank, at the beginning of the aforementioned engagement and during the ongoing process, evaluates whether the hedging instruments are effective on changes in the fair values or actual results of hedging are within the range of 80% - 125%.

##### 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. The fees and commission income and expenses obtained from cash and non-cash loans are recorded under income and expense accounts in the related period by discounting with effective interest method according to matching principle. The commission income of non-cash loans are reflected in accounts by 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.

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.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### VI. Explanations on financial assets (continued)

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 to 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 the 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.

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.

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 internal rate of return less impairment losses, if any. Interest income earned from held-to-maturity investments is recognized as interest income on income statement.

The Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the CPI indexed marketable securities. 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 recognized within the scope of "TAS 27-Separate Financial Statements" and "TAS 28-Investments in Associates and Joint Ventures".

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 losses.

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 part of 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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### 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.

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 2015 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, the banks could apply general loan loss provision ratios of zero percent for cash and non-cash export loans which are followed as standard loans; and of five per mille and one per mille for cash and non-cash loans, respectively, for small and medium size enterprises. The Bank has started to calculate general loan loss provision thereby using the ratios after publication 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 and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under fair value profit or loss available for sale or held to maturity financial asset with parallel to classifications of financial instruments. 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.

##### 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.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### 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 subsidiary or jointly controlled 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 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 rather than real estate, 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 recognized as expense.

As of the third quarter of the current year, the Bank changed its accounting policy and adopted revaluation method for land and buildings under scope of TAS 16. The useful life of real estates are mentioned in expertise reports. In case of the cost of tangible assets are over the net realizable value of the assets, within the framework of "Impairment of Assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and the impairment is recognised in expense accounts. The positive difference between the net book value of real estate property and the expertise values which are determined by the independent expert companies are recognised under shareholders' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates.

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	4-50	2-25
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 form, the Bank discloses the issues mentioned in notes 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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XIV. Explanations on provisions and contingent liabilities (continued)

##### *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.

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: 28227 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, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and there is no decision taken by the Cabinet with regards to issue at the date of financial statements.

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 2015 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2016, as of 31 December 2015, 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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### 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. 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.

Deferred tax asset is not allocated over the amount of general provisions and provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA. DZM.2/13/1-a-3.

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

The Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed.

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 meeting of the General Assembly held on 26 March 2015, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

In the meeting of the General Assembly held on 27 March 2014, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.300.000 to TL 1.500.000 by TL 200.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2013. The increase in paid-in capital was approved by the BRSA on 16 April 2014 and has been published in the Turkish Trade Registry Gazette No: 8573 on 21 May 2014.

##### 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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XX. Explanations on government incentives

The Bank does not use government incentives.

#### 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; investment credits, project financing, TL and foreign exchange operating loans, letters of credit and letters of guarantees.

The activities of investment banking are; the operations of Treasury, Corporate Finance. 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	314.498	310.573	-	625.071
Net Fees and Commission Income	11.523	(23)	(82)	11.418
Other Income	843	2.353	74.589	77.785
Other Expense	(89.829)	(19.706)	(96.284)	(205.819)
Profit Before Tax	237.034	293.197	(21.776)	508.455
Tax Provision	-	-	-	(101.610)
<b>Net Profit</b>				<b>406.845</b>
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	13.675.479	6.471.096	309.303	20.455.878
Investment in Associates and Subsidiaries	-	-	278.707	278.707
<b>Total Assets</b>	<b>13.675.479</b>	<b>6.471.096</b>	<b>588.010</b>	<b>20.734.585</b>
Segment Liabilities	16.220.868	1.640.878	384.112	18.245.858
Shareholders' Equity	-	-	2.488.727	2.488.727
<b>Total Liabilities</b>	<b>16.220.868</b>	<b>1.640.878</b>	<b>2.872.839</b>	<b>20.734.585</b>
Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	332.850	213.382	-	546.232
Net Fees and Commission Income	9.794	1.370	-	11.164
Other Income	25.782	16.279	36.743	78.804
Other Expense	(73.457)	(12.168)	(88.897)	(174.522)
Profit Before Tax	294.969	218.863	(52.154)	461.678
Tax Provision	-	-	-	(92.404)
<b>Net Profit</b>				<b>369.274</b>
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	10.980.620	4.321.846	103.005	15.405.471
Investment in Associates and Subsidiaries	-	-	295.242	295.242
<b>Total Assets</b>	<b>10.980.620</b>	<b>4.321.846</b>	<b>398.247</b>	<b>15.700.713</b>
Segment Liabilities	10.856.683	2.219.230	336.715	13.412.628
Shareholders' Equity	-	-	2.288.085	2.288.085
<b>Total Liabilities</b>	<b>10.856.683</b>	<b>2.219.230</b>	<b>2.624.800</b>	<b>15.700.713</b>

#### XXII. Explanations on other matters

None.



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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 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 2015, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 14,86%.

##### 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>3.348.320</b>	<b>1.828.304</b>	<b>4.442.930</b>	<b>-</b>	<b>13.573.860</b>	<b>64</b>	<b>106</b>
Risk Types							
Contingent and non-contingent claims on sovereigns	3.348.308	-	1.023.038	-	-	-	-
Contingent and non-contingent claims on regional governments and local authorities	-	-	-	-	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	-	-	-	-	1.406	-	-
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	-	1.561.692	1.476.340	-	14.565	-	-
Contingent and non-contingent claims on corporates	-	266.612	1.041.152	-	13.066.350	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-	-	-	-
Contingent and non-contingent claims secured by real estate property	-	-	902.400	-	-	-	-
Past due loans	-	-	-	-	-	-	-
Higher-risk categories defined by the board	-	-	-	-	-	64	106
Securities secured by mortgage	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-
Short-term claims on banks and intermediary institutions	-	-	-	-	-	-	-
Undertakings for collective investments in transferable securities	-	-	-	-	-	-	-
Other claims	12	-	-	-	491.539	-	-

<sup>(\*)</sup> The Bank has no credit risk related to 10%, 250% and 1250% risk weight.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)

Information related to the unconsolidated capital adequacy standard ratio (continued)

Prior Period	Risk Weights <sup>(1)</sup>						
	The Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>3.013.478</b>	<b>896.971</b>	<b>2.352.327</b>	<b>-</b>	<b>10.931.575</b>	<b>41</b>	<b>5</b>
Risk Types							
Contingent and non-contingent claims on sovereigns	3.012.857	-	542.331	-	-	-	-
Contingent and non-contingent claims on regional governments and local authorities	-	-	-	-	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	-	-	-	-	213	-	-
Contingent and non-contingent claims on multilateral development banks	613	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and capital market intermediary	-	477.873	634.522	-	-	-	-
Contingent and non-contingent claims on corporates	-	419.098	736.146	-	10.530.858	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-	-	-	-
Contingent and non-contingent claims secured by real estate property	-	-	439.328	-	-	-	-
Past due loans	-	-	-	-	-	-	-
Higher-risk categories defined by the Board	-	-	-	-	-	41	5
Securities secured by mortgage	-	-	-	-	-	-	-
Securitization exposures							
Short-term claims on banks and intermediary institutions	-	-	-	-	-	-	-
Undertakings for collective investments in transferable securities	-	-	-	-	-	-	-
Other claims	8	-	-	-	400.504	-	-

<sup>(1)</sup> The Bank has no credit risk related to 10%, 250% and 1250% risk weight.

Summary information related to the unconsolidated capital adequacy standard ratio

	Current Period	Prior Period
Capital Requirement for Credit Risk (Amount subject to Credit Risk*0,08) (CRCR)	1.292.904	982.976
Capital Requirement for Market Risk (CRMR)	45.963	27.906
Capital Requirement for Operational Risk (CROR)	75.964	65.693
Shareholders' Equity	2.628.841	2.434.434
Shareholders' Equity /((CRCR+CRMR+CROR) *12,5)*100)	<b>14,86</b>	<b>18,09</b>
Principal Capital /((CRCR+CRMR+CROR) *12,5)*100)	<b>14,02</b>	<b>16,99</b>
Core Capital/((CRCR+CRMR+CROR) *12,5)*100)	<b>14,03</b>	<b>16,99</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)

##### Information related to the shareholders' equity

	Current Period	Prior Period
<b>TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	1.750.374	1.500.374
Share premium	-	-
Share cancellation profits	-	-
Legal reserves	353.822	306.491
Other comprehensive income according to tas	90.614	128.770
Profit	406.845	369.274
Net current period profit	406.845	369.274
Prior period profit	-	-
Provisions for possible losses	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
<b>Tier I Capital Before Deductions</b>	<b>2.601.655</b>	<b>2.304.909</b>
<b>Deductions From Tier I Capital</b>		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to tas (-)	112.928	16.824
Leasehold improvements on operational leases (-)	6.268	745
Goodwill and intangible assets and related deferred tax liabilities (-)	686	690
Net deferred tax assets/liabilities (-)	1.149	-
Shares obtained against article 56, paragraph 4 of the banking law (-)	-	-
Investments in own common equity (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% of less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% of less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
Mortgage servicing rights exceeding the 10% threshold of Tier I capital (-)	-	-
Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I capital (-)	-	-
Amount exceeding the 15% threshold of Tier I capital as per the article 2, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% of more of the issued share capital not deducted from Tier I capital (-)	-	-
Mortgage servicing rights not deducted (-)	-	-
Excess amount arising from deferred tax assets from temporary differences (-)	-	-
Other items to be defined by the BRSB (-)	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I of Tier II capitals (-)	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	<b>121.031</b>	<b>18.259</b>
<b>Tier 1 Capital</b>	<b>2.480.624</b>	<b>2.286.650</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)

Information related to the shareholders' equity (continued)

	Current Period	Prior Period
<b>ADDITIONAL CORE CAPITAL</b>		
Preferred stock not included in Tier I capital and the related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued of obtained after 1.1.2014)	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued of obtained before 1.1.2014)	-	-
<b>Additional core capital before deductions</b>	-	-
<b>Deductions From Additional Core Capital</b>		
Direct and indirect investments of the bank on its own additional core capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% of less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
The total of net long position of the direct of indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Deductions from additional core capital in cases where there are no adequate Tier II capital (-)	-	-
<b>Total deductions from additional core capital</b>	-	-
<b>Total Additional Core Capital</b>	-	-
<b>Deductions From Core Capital</b>		
Goodwill and other intangible assets and related deferred taxes not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
Net deferred tax asset/liability not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
<b>Total Core Capital</b>	<b>2.480.624</b>	<b>2.286.650</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA (issued of obtained after 1.1.2014)	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued of obtained before 1.1.2014)	-	23.050
Pledged assets of the shareholders to be used for the bank's capital increases	-	-
General provisions	150.329	125.194
<b>Tier II Capital Before Deductions</b>	<b>150.329</b>	<b>148.244</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the bank on its own Tier II capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% of less of the issued share capital exceeding the 10% threshold of above Tier II capital (-)	-	-
The total of net long position of the direct of indirect investments in additional core capital and Tier II capital of unconsolidated banks and financial institutions where the bank owns 10% of more of the issued share capital exceeding the 10% threshold of Tier I capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions From Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>150.329</b>	<b>148.244</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)

*Information related to the shareholders' equity (continued)*

	Current Period	Prior Period
<b>CAPITAL</b>	<b>2.630.953</b>	<b>2.434.894</b>
Loans granted against the articles 50 and 51 of the banking law (-)	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the banking law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	390	460
Loans to banks, financial institutions (domestic/foreign) of qualified shareholders in the form of subordinated debts or debt instruments purchased from such parties and qualified as subordinated debts (-)	-	-
Deductions as per the article 20, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
Other items to be defined by the BRSA (-)	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from Tier I capital, additional core capital or Tier II capital as per the temporary article 2, clause 1 of the regulation (-)	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from additional core capital or Tier II capital as per the temporary article 2, clause 1 of the regulation (-)	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier II capital as per the temporary article 2, clause 2, paragraph (1) and (2) and temporary article 2, clause 1 of the regulation (-)	1.722	-
<b>EQUITY</b>	<b>2.628.841</b>	<b>2.434.434</b>
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>		
Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	22.047	19.363
Remaining total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the Tier I capital	158.323	162.463
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	-	31.668

The tables of "Summary of Capital adequacy standard ratio", "Insights of Owner's equity components" and "Insights of Consolidated Owner's equity components" stated in second paragraph of the article no.7 of the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures published in Official Gazette No. 28337 dated 28 June 2012 have been amended by the Communiqué published in Official Gazette No. 28983 dated 26 April 2014.

The Bank has been calculating its unconsolidated and consolidated equity within the framework of "Regulation on Equity of Banks" published in Official Gazette No. 28756 dated 5 September 2013 since 1 January 2014; unconsolidated and consolidated capital adequacy standard ratios are calculated also within this context.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)

*Information related to the shareholders' equity (continued)*

*Components of items of shareholders' equity subject to temporary applications*

	The Bank	
	Amount considered in the calculation of equity of current period	Total Amount
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	-	-
Net Deferred Tax Asset/Liability	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued before 1.1.2014)	-	-
	The Bank	
	Amount considered in the calculation of equity of prior period	Total Amount
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	-	-
Net Deferred Tax Asset/Liability	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued before 1.1.2014) <sup>(*)</sup>	23.050	115.250

<sup>(\*)</sup> Information about the debt instruments included in the equity calculation: The subordinated borrowing, which the Bank used from the International Finance Corporation (IFC) through direct financing, has the approval of BRSA and considered under the temporary Article 4 even not having the conditions stated in Article 7 and Article 8 of the "Regulation on Equities of Banks". As of 31 December 2014, 20% of the subordinated borrowing amounting TL 115.250 (50 million US Dollar) is included in calculation of additional Tier II Capital.

#### *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 26 March 2015. The Bank's internal capital adequacy assessment process is maintained on a consolidated annual basis and consolidated subsidiaries and affiliates are included to process.

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 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, the Bank's capital requirement and internal capital adequacy is evaluated, based on 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.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### 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 Banks 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	4.642.482	4.174.017
Contingent and non-contingent claims on regional governments and local authorities	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	4.164	2.165
Contingent and non-contingent claims on multilateral development banks	-	2.130
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and capital market intermediary	5.828.435	5.216.632
Contingent and non-contingent claims on corporates	17.229.382	16.861.932
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-
Contingent and non-contingent claims secured by real estate property	902.620	493.554
Past due loans	-	-
Higher-risk categories defined by agency	170	78
Securities secured by mortgage	-	-
Securitization exposures	-	-
Short-term claims on banks and corporate	-	-
Undertakings for collective investments in transferable securities	-	-
Other claims	733.041	642.803

<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 2015 to the period end.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (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 (continued)*

Prior Period	Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
Contingent and non-contingent claims on sovereigns	3.654.952	2.980.264
Contingent and non-contingent claims on regional governments and local authorities	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	1.086	2.469
Contingent and non-contingent claims on multilateral development banks	3.063	1.814
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and capital market intermediary	3.312.714	3.028.188
Contingent and non-contingent claims on corporates	14.395.427	12.987.062
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-
Contingent and non-contingent claims secured by real estate property	439.328	341.084
Past due loans	-	-
Higher-risk categories defined by agency	46	49
Securities secured by mortgage	-	-
Securitization exposures	-	-
Short-term claims on banks and corporate	-	-
Undertakings for collective investments in transferable securities	-	71.263
Other claims	407.921	361.912

<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 2014 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 82,39% and 97,64% of the total cash loans portfolio of the Bank respectively (31 December 2014: 83,50% and 98,27%)

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 2014: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 80,64% and 96,88% of the total on and off balance sheet accounts of the Bank respectively (31 December 2014: 81,66% and 97,58%)

The Bank calculated the general loan loss provision of TL 150.329 (31 December 2014: TL 125.194).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Profile of Significant Exposures in Major Regions

Current Period	Risk Types <sup>(*)</sup>										Total
	Contingent and non-contingent claims on governments, regional authorities, sovereigns	Contingent and non-contingent claims on administrative units and non-enterprises	Contingent and non-contingent claims on multilateral banks	Contingent and non-contingent claims on organizations	Contingent and non-contingent claims on banks and capital intermediary	Contingent and non-contingent claims on non-contingent corporates	Contingent and non-contingent claims included in the regulatory portfolios	Contingent and non-contingent claims secured by property	Past due loans	Higher-risk categories due to agency	
Domestic	4,371,346	-	1,088	-	-	2,405,933	14,126,409	-	792,989	170	21,745,241
European Union (EU)	-	-	-	-	-	-	-	-	-	-	-
Countries	-	-	-	-	-	389,437	-	-	-	-	399,558
OECD Countries <sup>(**)</sup>	-	-	-	-	-	4,116	-	-	-	-	4,116
Off Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	179,982	109,411	-	-	289,393
Unallocated Assets/ Liabilities <sup>(***)</sup>	-	-	318	-	-	-	4,229	-	-	-	4,547
<b>Total</b>	<b>4,371,346</b>	<b>-</b>	<b>1,406</b>	<b>-</b>	<b>-</b>	<b>3,092,597</b>	<b>14,374,114</b>	<b>992,400</b>	<b>-</b>	<b>170</b>	<b>23,193,884</b>

<sup>(\*)</sup> Risk types in the Communique 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

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk (continued)

Profile of Significant Exposures in Major Regions (continued)

Risk Types <sup>(*)</sup>																
	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and 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 non-contingent corporates	Contingent and non-contingent claims included in the regulatory portfolios	Contingent and non-contingent claims secured by residential property	Higher-risk categories defined by agency	Past due loans	Securities secured by mortgage	Securitization exposures	Short-term claims on banks and corporate	Undertakings for collective investments in transferable securities	Other claims	Total
Prior Period	3,555,188	-	6	-	-	879,987	11,434,898	-	431,865	-	46	-	-	-	44,219	16,346,209
European Union (EU)																
Countries	-	-	-	613	-	169,225	-	-	-	-	-	-	-	-	6,240	176,078
OECD Countries <sup>(**)</sup>	-	-	-	-	-	6,554	-	-	-	-	-	-	-	-	-	6,554
Off-Shore Banking Regions	-	-	-	-	-	-	1,022	-	-	-	-	-	-	-	-	1,022
USA, Canada	-	-	-	-	-	20,201	-	-	-	-	-	-	-	-	3,029	23,230
Other Countries	-	-	-	-	-	364,28	53,446	-	-	-	-	-	-	-	-	898,74
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	193,888	-	7,463	-	-	-	-	-	308,270	509,621
Unallocated Assets/Liabilities <sup>(**)</sup>	-	-	207	-	-	-	2,848	-	-	-	-	-	-	-	38,754	41,809
<b>total</b>	<b>3,555,188</b>	<b>-</b>	<b>213</b>	<b>613</b>	<b>-</b>	<b>1,112,395</b>	<b>11,686,102</b>	<b>-</b>	<b>439,328</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,512</b>	<b>17,194,397</b>

<sup>(\*)</sup> Risk types in the Communique 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Risk profile by sectors or counterparties

Risk Types <sup>(*)</sup>																			
	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent 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	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	
Agriculture	-	-	-	-	-	-	1,503	-	-	-	-	-	-	-	-	379	1,882	-	1,882
Farming and Stockbreeding	-	-	-	-	-	-	1,503	-	-	-	-	-	-	-	-	-	1,503	-	1,503
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	379	379	-	379
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	10,078,630	-	73,658	-	-	-	-	-	-	5,692	952,397	9,205,583	10,157,980
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	2990,125	-	47,858	-	-	-	-	-	-	5,692	388,402	2460,273	3,043,675
Electricity, Gas and Water	-	-	-	-	-	-	6,974,680	-	25,800	-	-	-	-	-	-	-	568,995	6,431,485	7,000,480
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,091	192,922	224,013
Services	8206,39	-	1,088	-	-	3,052,597	3,963,159	-	814,464	-	-	-	-	-	-	337,246	2,253,848	6735,345	8,989,193
Wholesale and Retail Trade	-	-	-	-	-	-	309,084	-	9,915	-	-	-	-	-	-	-	3,834	315,165	318,999
Accommodation and Dining	-	-	-	-	-	-	399,856	-	198,718	-	-	-	-	-	-	-	2,017	596,557	598,574
Transportation and Telecommunication	-	-	-	-	-	-	882,872	-	-	-	-	-	-	-	-	-	1,555	882,872	884,427
Financial Institutions	8206,39	-	1,088	-	-	3,052,597	1,371,874	-	109,411	-	-	-	-	-	-	335,312	2,200,035	3,490,886	5,690,921
Real Estate and Rental Services	-	-	-	-	-	-	61,059	-	490,661	-	-	-	-	-	-	-	473	551,247	551,720
Professional Services	-	-	-	-	-	-	615,246	-	-	-	-	-	-	-	-	379	36,736	578,889	615,625
Educational Services	-	-	-	-	-	-	156,633	-	5,759	-	-	-	-	-	-	-	6,142	156,250	162,392
Health and Social Services	-	-	-	-	-	-	166,535	-	-	-	-	-	-	-	-	-	3,056	163,479	166,535
Others	3550,207	-	318	-	-	-	106,809	-	14,278	-	170	-	-	-	-	148,234	2,628,440	1,192,076	3,820,516
<b>Total</b>	<b>4,371,346</b>	<b>-</b>	<b>1,406</b>	<b>-</b>	<b>-</b>	<b>3,052,597</b>	<b>14,374,114</b>	<b>-</b>	<b>902,400</b>	<b>-</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491,551</b>	<b>5,867,658</b>	<b>17,325,926</b>	<b>23,193,584</b>

\*Risk types contained in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been taken

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

*Risk profile by sectors or counterparties (continued)*

Risk Types <sup>(*)</sup>																
Prior Period	Contingent and non-contingent claims on governments and local authorities	Contingent and non-contingent 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 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 transferable in securities	Other claims	Total
Agriculture	-	-	-	-	-	2,636	-	-	-	-	-	-	-	-	399	3,035
Farming and Stockbreeding	-	-	-	-	-	2,636	-	-	-	-	-	-	-	-	-	2,636
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	399	399
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	2,688	7,722,377	19,270	-	-	-	-	-	-	-	20,217	835,656
Mining and Quarrying	-	-	-	-	-	-	693	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	42	2,332,527	18,577	-	-	11,036	298,762	2,362,182	-	-	-	93,640
Electricity, Gas and Water	-	-	-	-	2,646	5,296,803	-	-	-	-	-	-	-	-	9,181	536,894
Construction	-	-	-	-	-	188,052	-	-	-	1	45,620	142,433	188,053	-	-	-
Services	519,414	6	613	-	1,109,707	3,662,194	42,058	-	-	336,797	1,558,962	4,489,827	6,048,789	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	147,598	680	-	-	-	-	-	148,278	-	-	-
Accommodation and Dining	-	-	-	-	-	454,606	93,638	-	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	741,941	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	6	613	-	1,109,707	14,28,368	19,988	-	-	1,555	741,941	1,939,802	3,412,959	-	-	-
Real Estate and Rental Services	-	-	-	-	-	218,682	235,393	-	-	-	-	-	-	-	203	453,872
Professional Services	-	-	-	-	-	574,625	17,200	-	-	379	681,55	524,139	592,294	-	-	-
Educational Services	-	-	-	-	-	78,504	71,38	-	-	-	-	-	-	-	7020	78,622
Health and Social Services	-	-	-	-	-	17,870	4,5931	-	-	-	-	-	-	-	3,049	60,752
Others	3,035,774	207	-	-	-	110,843	-	-	-	43,098	2,560,332	639,636	3,189,968	-	-	-
Total	3,555,188	213	613	-	1,112,995	11,686,102	439,328	-	46	400,512	4,993,605	12,200,792	17,194,397	-	-	-

<sup>(\*)</sup> Risk types contained in the Communique on "Measurement and Assessment of Capital Adequacy of Banks" have been taken into account.



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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

*Analysis of maturity-bearing exposures according to remaining maturities*

Risk Types	Term to Maturity				
Current Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	802.706	49.995	-	274.334	3.177.749
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	1.086	-	-	-	296
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	1.912.409	45.773	179.201	63.333	651.939
Contingent and Non-Contingent Claims on Corporates	364.812	421.254	441.073	1.226.863	11.774.514
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	109.411	494	-	58.274	734.221
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	170
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
Other Claims	5.376	5.068	-	10.017	69.988
<b>Total</b>	<b>3.195.800</b>	<b>522.584</b>	<b>620.274</b>	<b>1.632.821</b>	<b>16.408.877</b>

Risk Types	Term to Maturity				
Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	602.016	13.316	33.390	81.398	2.766.171
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	9	1	4	11	183
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	382.268	18.011	85.762	82.418	362.227
Contingent and Non-Contingent Claims on Corporates	516.163	373.384	258.321	747.134	9.671.369
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	693	-	438.635
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	4.607	-	-	9.181	25.649
<b>Total</b>	<b>1.505.063</b>	<b>404.712</b>	<b>378.170</b>	<b>920.142</b>	<b>13.264.234</b>

#### 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Information on risk types (continued)

In determination of risk weights for exposures on capital adequacy calculation of the 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
Than 3 Months			Claims with Remaining Maturities More Than 3 Months	Claims with Remaining Maturities Less	
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				
	D				
Unrated	Unrated	100%	20% <sup>(*)</sup>	50% <sup>(*)</sup>	100%

<sup>(\*)</sup> Used in case when the risk weight of the sovereign of the Bank's country is not higher.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (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
Than 3 Months			Claims with Remaining Maturities More Than 3 Months	Claims with Remaining Maturities Less	
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				
	D				
Unrated	Unrated	100%	20% <sup>(*)</sup>	50% <sup>(*)</sup>	100%

<sup>(\*)</sup> 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 <sup>(*)</sup>	3.496.034	-	3.860.136	3.884.700	-	14.518.837	64	106	-	123.143
Exposures After Credit Risk										
Mitigation	3.348.320	-	1.828.304	4.442.930	-	13.573.860	64	106	-	123.143

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

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

##### Exposures by risk weights (continued)

Prior Period									
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Exposures Before Credit Risk									Deducted from Equity
Mitigation <sup>(7)</sup>	3.108.607	-	2.864.119	2.016.567	-	11.413.793	41	5	-
Exposures After Credit Risk									
Mitigation	3.013.478	-	896.971	2.352.327	-	10.931.576	41	5	-

<sup>(7)</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				
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
Agriculture	3.446	-	-	(3.446)
Farming and Stockbreeding	3.446	-	-	(3.446)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	46.439	11.293	-	(46.439)
Mining and Quarrying	193	-	-	(193)
Production	8.368	-	-	(8.368)
Electricity, Gas and Water	37.878	11.293	-	(37.878)
Construction	9.520	3.848	-	(9.520)
Services	-	-	-	-
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	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>59.405</b>	<b>15.141</b>	<b>-</b>	<b>(59.405)</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

Information of major sectors or type of counterparties (continued)

Prior Period	Loans			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
Agriculture	3.433	-	-	(3.433)
Farming and Stockbreeding	3.433	-	-	(3.433)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	8.617	44.689	-	(8.617)
Mining and Quarrying	192	-	-	(192)
Production	8.425	-	-	(8.425)
Electricity, Gas and Water	-	44.689	-	-
Construction	4.886	11.913	-	(4.886)
Services	-	-	-	-
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	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>16.936</b>	<b>56.602</b>	<b>-</b>	<b>(16.936)</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	16.936	43.392	923	-	59.405
General Loan Loss Provision	125.194	25.135	-	-	150.329

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	36.253	10.082	29.399	-	16.936
General Loan Loss Provision	104.331	20.863	-	-	125.194

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to credit risk (continued)

Cash credit quality per class of financial assets as of 31 December 2015 is as follows;

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	13.660.338	15.141	13.675.479
Corporate Loans	11.491.571	3.848	11.495.419
Loans to SME	2.168.539	11.293	2.179.832
Consumer Loans	228	-	228
Other	-	-	-
Receivables from Leasing Transactions	-	-	-
<b>Total</b>	<b>13.660.338</b>	<b>15.141</b>	<b>13.675.479</b>

Cash credit quality per class of financial assets as of 31 December 2014 is as follows:

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	10.924.018	56.602	10.980.620
Corporate Loans	9.192.534	11.913	9.204.447
Loans to SME	1.731.353	44.689	1.776.042
Consumer Loans	131	-	131
Other	-	-	-
Receivables from Leasing Transactions	-	-	-
<b>Total</b>	<b>10.924.018</b>	<b>56.602</b>	<b>10.980.620</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	688.490	480.487
High Grade	3.338.731	2.245.543
Average Grade	6.760.088	6.280.936
Below Average Grade	4.463.785	2.899.642
Impaired	60.572	16.936
<b>Total</b>	<b>15.311.666</b>	<b>11.923.544</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 Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 15.517.550 and TL 205.884 of these customers have not been rated (31 December 2014: TL 12.450.625, TL 527.081).



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to credit risk (continued)

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	274.324	278.313
Corporate Loans	128.998	120.550
Loans to SME	145.326	157.763
Consumer Loans	-	-
Other	-	-
<b>Total</b>	<b>274.324</b>	<b>278.313</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 the Risk Management Department 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.

##### 1.a Information related to the market risk:

	Current Period	Prior Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	26.901	14.030
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	3	3
Capital Requirement for Specific Risk Relating to Securitization Positions – Standard Method	-	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	2.716	7.328
(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	-	2
(VII) Counterparty credit risk capital requirement - Standard method	16.343	6.543
(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	45.963	27.906
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>574.538</b>	<b>348.825</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### III. Explanations related to the market risk (continued)

1.b Average market risk table as of the month ends during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	22.419	27.209	15.118	9.289	14.033	6.033
Common Stock Risk	1	16	-	-	2	-
Currency Risk	6.807	10.920	2.716	5.155	7.328	2.376
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	303	675	-	148	898	-
Counterparty Credit Risk	13.403	19.913	8.021	5.265	6.543	3.984
<b>Total Value At Risk</b>	<b>42.933</b>	<b>58.733</b>	<b>25.855</b>	<b>19.857</b>	<b>28.804</b>	<b>12.393</b>

#### 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	80.574	29.595
Foreign Exchange Rate Contracts	214.079	94.474
Commodity Contracts	-	-
Equity Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	294.653	124.069
Net-off Benefits	-	-
Net-off Current Risk Amount	294.653	124.069
Collaterals Received	15.379	7.607
Net Derivative Position	279.274	116.462

#### 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.

#### Equity shares price sensitivity

The sensitivity analysis below has been determined based on the exposure to stock price risks at the reporting date.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### III. Explanations related to the market risk (continued)

##### 3. Required disclosures in case the capital requirement of the Bank is calculated by a risk measurement model permitted by BRSA (Continued)

##### Equity shares price sensitivity (Continued)

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 4.575 (2014: TL 4.556 increase/decrease). In current period, there is no stock classified in trading book of the Bank (2014: 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 2012	31 December 2013	31 December 2014	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	449.943	490.507	578.826	506.425	15	75.964
Value at Operational Risk (Total*12,5)						949.550

##### 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.

Announced current foreign exchange buying rates of the Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	1 Euro
<b>The Bank's "Foreign Exchange Valuation Rate"</b>		
31 December 2015	2,8950	3,1642
<b>Prior Five Workdays:</b>		
30 December 2015	2,8900	3,1582
29 December 2015	2,8800	3,1608
26 December 2015	2,8900	3,1700
25 December 2015	2,8900	3,1700
24 December 2015	2,8950	3,1648

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 2,8890 and 3,1476; respectively.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### V. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk :

	Euro	US Dollar	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	156.464	525.002	89.210	770.676
Banks	160.314	372.847	1.344	534.505
Financial Assets at Fair Value Through Profit and Loss <sup>(*)</sup>	16.969	24.256	5.311	46.536
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	34.650	813.169	-	847.819
Loans <sup>(**)</sup>	4.971.177	7.703.852	-	12.675.029
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	157.408	-	157.408
Derivative Financial Assets for Hedging Purposes	-	4.093	-	4.093
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(***)</sup>	6	180.791	-	180.797
<b>Total Assets</b>	<b>5.339.580</b>	<b>9.781.418</b>	<b>95.865</b>	<b>15.216.863</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	23.227	22.767	-	45.994
Funds Provided From Other Financial Institutions	5.632.602	7.616.184	-	13.248.786
Marketable Securities Issued	-	2.037.571	-	2.037.571
Miscellaneous Payables	7.929	16.144	31	24.104
Derivative Financial Liabilities for Hedging Purposes	-	5.799	-	5.799
Other Liabilities <sup>(****)</sup>	25.083	26.209	4.421	55.713
<b>Total Liabilities</b>	<b>5.688.841</b>	<b>9.724.674</b>	<b>4.452</b>	<b>15.417.967</b>
<b>Net Balance Sheet Position</b>	<b>(349.261)</b>	<b>56.744</b>	<b>91.413</b>	<b>(201.104)</b>
<b>Net Off-Balance Sheet Position</b>	<b>356.414</b>	<b>(47.227)</b>	<b>(89.210)</b>	<b>219.977</b>
Financial Derivative Assets	967.421	1.807.942	122.609	2.897.972
Financial Derivative Liabilities	(611.007)	(1.855.169)	(211.819)	(2.677.995)
Non-Cash Loans <sup>(*****)</sup>	800.762	579.223	11.880	1.391.865
<b>Prior Period</b>				
Total Assets	3.761.872	7.251.694	75.873	11.089.439
Total Liabilities	4.260.541	6.850.330	-	11.110.871
<b>Net Balance Sheet Position</b>	<b>(498.669)</b>	<b>401.364</b>	<b>75.873</b>	<b>(21.432)</b>
<b>Net Off -Balance Sheet Position</b>	<b>497.907</b>	<b>(344.066)</b>	<b>(74.677)</b>	<b>79.164</b>
Financial Derivative Assets	793.853	699.758	63.998	1.557.609
Financial Derivative Liabilities	(295.946)	(1.043.824)	(138.675)	(1.478.445)
Non-Cash Loans <sup>(*****)</sup>	370.142	640.324	10.756	1.021.222

<sup>(\*)</sup> Exchange rate differences arising from derivative transactions amounting to TL 113.250 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

<sup>(\*\*)</sup> Loans extended include TL 1.413.772 foreign currency indexed loans.

<sup>(\*\*\*)</sup> Prepaid expenses amounting to TL 261 have not been included in "Other Assets".

<sup>(\*\*\*\*)</sup> Marketable securities valuation decrease fund amounting to TL 11.288 and exchange rate differences arising from derivative transactions amounting to TL 103.772 have not been included in "Other Liabilities". Borrower funds amounting TL 28.987 based on foreign currencies have been included in "Other Liabilities".

<sup>(\*\*\*\*\*)</sup> Has no effect on net off-balance sheet position.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### V. Explanations related to currency risk (continued)

The Bank is mostly exposed to Euro, US Dollars, other foreign currencies.

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
US Dollar	10	173	879	779	4.851
Euro	10	511	(317)	205	241
Other	10	220	120	-	-

	Decrease in Currency Rate	Effect on Profit / Loss <sup>(*)</sup>		Effect on Equity <sup>(**)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(173)	(879)	(779)	(4.851)
Euro	10	(511)	317	(205)	(241)
Other	10	(220)	(120)	-	-

<sup>(\*)</sup> Values expressed are before the tax effect.

<sup>(\*\*)</sup> 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 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 analysis. 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 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 top management, the Board of Directors and the Audit Committee are informed of these risks.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Explanations related to interest rate risk (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	565.428	-	-	-	-	245.686	811.114
Banks	524.671	-	-	-	-	10.158	534.829
Financial Assets at Fair Value Through Profit and Loss	22.999	35.528	91.114	18.970	28.604	-	197.215
Money Market Placements	895.256	185.018	-	-	-	-	1.080.274
Available-for-Sale Financial Assets	400.458	297.496	921.268	743.477	571.249	37.021	2.970.969
Loans	2.180.398	4.096.269	5.490.171	1.563.995	344.646	-	13.675.479
Held-to-Maturity Investments	168.466	508.599	38.129	-	157.408	-	872.602
Other Assets	-	978	3.115	-	-	588.010	592.103
<b>Total Assets</b>	<b>4.757.676</b>	<b>5.123.888</b>	<b>6.543.797</b>	<b>2.326.442</b>	<b>1.101.907</b>	<b>880.875</b>	<b>20.734.585</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.168.420	1.061	-	-	-	-	2.169.481
Miscellaneous Payables	-	-	-	-	-	117.245	117.245
Marketable Securities Issued	-	-	-	2.037.571	-	-	2.037.571
Funds Provided from Other Financial Institutions	3.696.375	4.450.339	2.678.612	1.008.670	1.610.791	-	13.444.787
Other Liabilities <sup>(**)</sup>	53.166	43.100	86.427	18.731	8.483	2.755.594	2.965.501
<b>Total Liabilities</b>	<b>5.917.961</b>	<b>4.494.500</b>	<b>2.765.039</b>	<b>3.064.972</b>	<b>1.619.274</b>	<b>2.872.839</b>	<b>20.734.585</b>
Balance Sheet Long Position	-	629.388	3.778.759	-	-	-	4.408.147
Balance Sheet Short Position	(1.160.285)	-	-	(738.530)	(517.367)	(1.991.965)	(4.408.147)
Off-Balance Sheet Long Position	-	-	430.571	-	-	-	430.571
Off-Balance Sheet Short Position	(377.616)	(91.039)	-	(1.081)	(6.715)	-	(476.451)
<b>Total Position</b>	<b>(1.537.901)</b>	<b>538.349</b>	<b>4.209.330</b>	<b>(739.611)</b>	<b>(524.082)</b>	<b>(1.991.965)</b>	<b>(45.880)</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> Borrower funds amounting to TL 30.677 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 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VI. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	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	-	0,27	-	2,42
Banks	0,53	0,92	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	9,28
Money Market Placements	-	-	-	12,92
Available-for-Sale Financial Assets	5,62	4,87	-	10,38
Loans	3,54	4,70	-	11,98
Held-to-Maturity Investments	-	6,00	-	10,04
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,51	0,50	-	10,26
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,24	-	-
Borrower Funds	0,50	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,88	1,60	-	9,83

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items of prior period (based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing <sup>(*)</sup>	Total
<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	31.628	-	-	-	-	476.160	507.788
Banks	94.854	20.201	-	-	-	7.263	122.318
Financial Assets at Fair Value Through Profit and Loss	4.985	13.620	53.326	-	-	-	71.931
Money Market Placements	65.831	39.082	-	-	-	-	104.913
Available-for-Sale Financial Assets	701.993	733.138	918.699	606.103	521.916	33.047	3.514.896
Loans	2.109.855	3.596.176	3.911.384	1.163.684	199.521	-	10.980.620
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	398.247	398.247
<b>Total Assets</b>	<b>3.009.146</b>	<b>4.402.217</b>	<b>4.883.409</b>	<b>1.769.787</b>	<b>721.437</b>	<b>914.717</b>	<b>15.700.713</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.071.750	90.744	-	-	-	-	2.162.494
Miscellaneous Payables	-	-	-	-	-	84.547	84.547
Marketable Securities Issued	-	-	-	813.824	-	-	813.824
Funds Provided from Other Financial Institutions	2.873.602	3.509.832	2.226.483	466.065	919.701	-	9.995.683
Other Liabilities <sup>(**)</sup>	53.463	4.577	43.289	-	2.583	2.540.253	2.644.165
<b>Total Liabilities</b>	<b>4.998.815</b>	<b>3.605.153</b>	<b>2.269.772</b>	<b>1.279.889</b>	<b>922.284</b>	<b>2.624.800</b>	<b>15.700.713</b>
Balance Sheet Long Position	-	797.064	2.613.637	489.898	-	-	3.900.599
Balance Sheet Short Position	(1.989.669)	-	-	-	(200.847)	(1.710.083)	(3.900.599)
Off-Balance Sheet Long Position	56.347	11.103	-	504.062	-	-	571.512
Off-Balance Sheet Short Position	-	-	(562.581)	-	(165.518)	-	(728.099)
<b>Total Position</b>	<b>(1.933.322)</b>	<b>808.167</b>	<b>2.051.056</b>	<b>993.960</b>	<b>(366.365)</b>	<b>(1.710.083)</b>	<b>(156.587)</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> Borrower funds amounting to TL 39.081 are presented in "Other Liabilities" within 1-month maturity column.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VI. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments in prior period: %

	Euro	US Dollar	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	-	-	-	1,44
Banks	-	0,46	-	9,96
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	9,00
Available-for-Sale Financial Assets	5,60	5,88	-	9,72
Loans	3,85	4,33	-	10,06
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,50	0,68	-	9,95
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,50	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,92	1,24	-	7,29

##### 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, all Derivatives Instruments except 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.

	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss / Shareholders' Equity
<b>Current Period</b>			
<b>Currency</b>			
TL	+500 / (400) basis point	(109.504) / 101.850	(%4,16) / %3,87
Euro	+200 / (200) basis point	24.347 / (16.939)	%0,93 / (%0,64)
US Dollar	+200 / (200) basis point	(33.352) / 29.108	(%1,27) / %1,11
<b>Total (for Negative Shocks)</b>		<b>114.019</b>	<b>%4,34</b>
<b>Total (for Positive Shocks)</b>		<b>(118.509)</b>	<b>(%4,50)</b>
<b>Prior Period</b>			
<b>Currency</b>			
TL	+500 / (400) baz puan	(138.136) / 134.135	(%5,67) / %5,51
Euro	+200 / (200) baz puan	14.765 / (6.743)	%0,61 / (%0,28)
US Dollar	+200 / (200) baz puan	26.818 / (43.013)	%1,10 / (%1,77)
<b>Total (for Negative Shocks)</b>		<b>84.379</b>	<b>%3,46</b>
<b>Total (for Positive Shocks)</b>		<b>(96.553)</b>	<b>(%3,96)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VI. Explanations related to interest rate risk (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, the Board of Directors and the 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 6.258 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 12.693.

The Bank's available for sale portfolio in the current period increased approximately by 17% compared to prior period and the market value increased approximately by 16%. In addition to this, foreign exchange assets in the Bank's portfolio are approximately 29% 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 at fair value in accordance with "TAS 39- Financial Instruments: Recognition and Measurement". Equity shares, whose fair value cannot be measured reliably are followed at their cost of acquisition and these assets are shown in the financial statements with their cost of values after the deduction of impairment provisions, if any.

###### 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	154.965	-	154.965	
Quoted	154.965	-	154.965	
Investment in Shares-Grade B	62.695	-	62.695	
Quoted	62.695	-	62.695	
Prior Period		Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value	
Investment in Shares-Grade A	239.212	-	239.212	
Quoted	239.212	-	239.212	

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
Portfolio					
Private Equity					
Investments	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(23.316)	-	-	(39.666)	(39.666)
Other Share					
Certificates	-	3.880	3.880	-	-
Total	(23.316)	3.880	3.880	(62.982)	(39.666)

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VII. Explanations related to stock position risk (continued)

*Equity shares risk due from banking book (continued)*

Prior Period						
Portfolio	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
Private Equity						
Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(18.055)	(18.055)	-
Other Share						
Certificates	9.922	-	-	-	-	-
<b>Total</b>	<b>9.922</b>	<b>-</b>	<b>-</b>	<b>(18.055)</b>	<b>(18.055)</b>	<b>-</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 difference in interest rates of assets and liabilities are on behalf of assets as can be seen from the table of interest rate risk. The inconsistency positively affects the profitability and is controlled by the 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 2015 and 2014 are as follows:

	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
<b>Current Period</b>				
Average (%)	241,10	163,89	218,74	150,46
<b>Prior Period</b>				
Average (%)	113,68	131,29	108,10	127,81

#### Liquidity risk management and liquidity coverage ratio

##### I. Explanations related to the liquidity risk:

##### 1.a Informations about the governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors

Bank's risk capacity for liquidity risk is determined by Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. As per The Regulation on The Calculation of Liquidity Coverage Ratio, minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits while the implementation process is identified by BRSA as setting the limits respectively as 60% and 40% for 2015 and increasing 10 pts per year until 2019 whereas applying this limit as zero per cent for development and investment banks until 2017.

As per the regulation on liquidity adequacy, development and investment banks, including TSKB, are subject to maintaining the liquidity adequacy ratios above 100% and 80% respectively for total and foreign currency limits both on weekly and monthly basis. In addition, the calculated daily over stock values regardless of maturity ratios' basic arithmetic mean includes 14 days may not be less than 7%.

Regarding its risk appetite, in addition to legal limits, Bank also applies internal limits for monitoring and controlling the liquidity risk. In this context, it is limited by minimum 25% for the ratio of cash inflow to cash outflow, and by minimum 20% for the ratio of the difference between total inflow and total outflow to total asset. It is determined minimum limit as 15% for Liquidity ratio (Liquid Asset/ Total Asset). Also for liquidity adequacy ratios on weekly and monthly basis, the internal limit is set as 110% that is 10% above legal limit.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

##### *Liquidity risk management and liquidity coverage ratio (continued)*

#### I. Explanations related to the liquidity risk: (continued)

##### 1.a Informations about the governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the Board of Directors (continued)

Internal limits are applied on concentrations basis for single currency, single security and single instrument for the Bank's Treasury placements within Treasury Risk Limits, in purpose of decreasing the liquidity risk related to concentration risk.

Liquidity risk management is conducted by Treasury department in line with the strategies set by Asset and Liability Committee within The Risk Management Policies approved by Board of Directors, and is monitored through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management, monitoring the implementations and functions under The General Instruction of Asset and Liability Committee Duties and Responsibilities. The committee that constitutes of Chief Executive Officer, Executive Vice Presidents of Corporate Banking, Treasury, Budget Planning and Department Heads of Corporate Banking, Project Finance, Treasury, Development Finance Institutions, Financial Institutions and Budget Planning and Investor Relations evaluates the market, regulations, cashflow and asset and liability management on monthly basis. Budget Planning and Investor Relations Department is responsible for consolidating the reports to be submitted to Committee, organizing, having signed and archiving the Committee moments and informing the Committee members. Beside Budget Planning and Investor Relations Departments, Financial Institutions, Credit Operations, Treasury and Capital Markets Operations, Treasury and Risk Management Departments are also responsible from submitting concerning reports.

Bank cash management process connotes, within the precedence of fulfilling the future financial obligations and subsequent to credit, placement and borrowing activities, the utilization of the cash position with the highest return in line with the Bank policies and during the liquidity shortfall periods providing funding from the market with the most convenient and low-cost product. Treasury Department carries out this responsibility within the scope of Bank policies, decisions taken in Asset Liability Committees and the limits supplied by Board of Directors. In liquidity shortfall periods, Treasury Department is entitled to provide funding through money market transactions, secured lending or repo transactions. In case of funding except with those products, borrowing transactions are executed with the cooperation of Treasury and Financial Institutions Departments.

Risk Management Department reports to Board of Directors and Asset and Liability Committee on monthly basis regarding the liquidity gap, the legal limits and the internal limits assigned by Board of Directors. Also liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Committee evaluates the Bank's one year-term cash position under several assumptions and loan facility projections on monthly basis, it determines strategy for fulfilling its financial obligations timely and utilizing the idle funds efficiently.

MIS reportings for Treasury Department are conducted by Treasury Control Unit under Budget Planning and Investor Relations Department. Within this scope Treasury Control Unit shares liquidity projections for following week's and three months' cashflows on weekly basis. On monthly basis, cashflow projections on local currency and foreign currency are reported to Asset Liability Committee.

##### 1.b Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries

There is no liquidity management structure requiring centralization between the Bank and its subsidiaries.

##### 1.c Information on the Bank's funding strategy including the policies on funding types and variety of maturities

Among the main funding sources of the Bank there are investment bank loans, capital market transactions, syndication loans, DFIs, repo transactions and money market transactions and for minimizing the liquidity risk, diversification on maximum scale with those products within the market conditions is pursued. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by Asset Liability Committee.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

##### *Liquidity risk management and liquidity coverage ratio (continued)*

#### I. Explanations related to the liquidity risk: (continued)

##### 1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

Within the scope of Bank's balance sheet management, local currency and foreign currency cashflows are monitored diversely. On principal, open position risk is managed actively as a part of liquidity risk management and in context of this strategy required hedging transactions are executed by Treasury Department.

##### 1.d Information on liquidity risk mitigation techniques:

Liquidity limits are defined for the purpose of monitoring and keeping the risk under predefined boundaries. The Bank monitors those limits' utilization and informs Board of Directors, Bank Senior Management and relevant departments regularly. Pursuant to that, the ratio of cash inflows to cash outflows within three months' term is limited to at least 25% whereas for the same term the ratio of the difference between total inflows and total outflows to total assets is limited to at most 20%. The base limit for Liquidity Ratio (Liquid Assets/Total Assets) is defined as 15%. Within those limits, Treasury Department performs the required transactions with the relevant cost and term composition under market conditions from the sources previously defined in Article C. Adequate limits to be utilized in a contingent case remains at the disposal before legal authority.

##### 1.e Information on the use of stress tests:

As part of liquidity stress tests, Bank's compatibility with the legal limits under stress conditions is subject to probe. The legal limits assigned for liquidity risk management consists of five ratios derived from The Regulation on Liquidity Adequacy Ratio and liquidity coverage ratio derived from The Regulation on Liquidity Coverage Ratio. Stress tests are performed over those ratios' calculations by practicing liquidity shocks while assuming that the nonshocked components are held constant. Among liquidity stress tests, the risks arising from funding, intraday liquidity, marketable securities and concentration are addressed. Subject to those, the scenarios of possible funding shortage in Interbank Money Market, liquidity shortage that may arise in private sector and the risk originating from loan portfolio due to the concentration risk are applied separately on overall portfolio of the Bank.

##### 1.f General information on urgent and unexpected liquidity situation plans:

There is a Contingency Funding Plan for the contingent periods that arises beyond Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cashflow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cashflow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.



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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

##### Liquidity risk management and liquidity coverage ratio (continued)

#### II. Liquidity Coverage Ratio

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months consolidated foreign currency and total liquidity coverage ratio and unconsolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

Current Period	Total Unweighted Amounts		Total Weighted Amounts	
	FC	TL+FC	FC	TL+FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets			702.829	595.565
<b>CASH OUTFLOWS</b>				
2 Retail and small business customer deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured funding other than retail and small business customers deposits	380.642	312.240	339.682	272.226
6 Operational deposits	36.351	35.089	9.088	8.772
7 Non-operational deposits	-	-	-	-
8 Other unsecured funding	344.291	277.151	330.594	263.454
9 Secured funding	-	-	-	-
10 Other cashflows	1.406.094	1.235.636	1.406.094	1.235.636
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.406.094	1.235.636	1.406.094	1.235.636
12 Debts related to structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	1.859.646	1.309.966	92.982	65.498
15 Other irrevocable or conditionally revocable commitments	4.150.603	3.870.174	582.833	549.546
<b>16 TOTAL CASH OUTFLOWS</b>			<b>2.421.591</b>	<b>2.122.906</b>
<b>CASH INFLOWS</b>				
17 Secured lending transactions	-	-	-	-
18 Unsecured lending transactions	1.450.121	374.545	1.298.288	276.759
19 Other contractual cash inflows	1.411.050	471.608	1.409.348	471.408
<b>20 TOTAL CASH INFLOWS</b>	<b>2.861.171</b>	<b>846.153</b>	<b>2.707.636</b>	<b>748.167</b>
			<b>Total Adjusted Value</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>702.829</b>	<b>595.565</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>605.398</b>	<b>1.374.739</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>116</b>	<b>43</b>

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

*Liquidity risk management and liquidity coverage ratio (continued)*

#### II. Liquidity Coverage Ratio (continued)

Prior Period	Total Unweighted Amounts		Total Weighted Amounts	
	FC	TL+FC	FC	TL+FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets			799.397	357.759
<b>CASH OUTFLOWS</b>				
2 Retail and small business customer deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured funding other than retail and small business customers deposits	422.772	229.229	541.976	207.826
6 Operational deposits	140.936	48.411	110.823	18.334
7 Non-operational deposits	255.441	161.570	326.409	162.220
8 Other unsecured funding	26.395	19.248	104.744	27.272
9 Secured funding			-	-
10 Other cashflows	952.273	777.925	952.273	776.960
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	952.273	777.925	952.273	776.960
12 Debts related to structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	630.551	447.160	80.959	54.646
15 Other irrevocable or conditionally revocable commitments	3.351.408	2.588.909	332.563	253.686
<b>16 TOTAL CASH OUTFLOWS</b>			<b>1.907.771</b>	<b>1.293.118</b>
<b>CASH INFLOWS</b>				
17 Secured lending transactions	-	-	-	-
18 Unsecured lending transactions	620.546	217.938	502.607	145.087
19 Other contractual cash inflows	1.041.095	865.037	1.041.095	865.037
<b>20 TOTAL CASH INFLOWS</b>	<b>1.661.641</b>	<b>1.082.975</b>	<b>1.543.702</b>	<b>1.010.124</b>
			<b>Total Adjusted Value</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>799.397</b>	<b>357.759</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>476.943</b>	<b>323.280</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>168</b>	<b>111</b>

#### III. Explanations from the Bank's about liquidity ratio

3.a Significant factors impacts the result of liquidity coverage ratio and change in time of the items are taken into account in calculation of this ratio.

Borrowing Securities that mainly comprised of government securities and Required Reserves are major components of High Quality Liquid Assets that affect Liquidity Coverage Ratio essentially. Depending on the market conditions and Bank's Treasury Department's decisions the proportion of local currency and foreign currency based securities within Borrowing Securities may vary.

3.b The explanation is about from which elements the High Quality Liquid Assets Consist

High Quality Liquid Assets mainly comprises of exposure to Central Bank, that is Required Reserves and Borrowing Securities, that are government securities.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VIII. Explanations related to the liquidity risk (continued)

##### *Liquidity risk management and liquidity coverage ratio (continued)*

##### III. Explanations from the Bank's about liquidity ratio (continued)

##### 3.c Items which procure fund and intensity of funds in all funds

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67% while 88% of it is provided under the guarantee of The Undersecretariat of Treasury of Turkish Republic. The average tenor of long term loans is 11 years. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 16%. 17% of the Bank's total funding is attained through repo transactions.

##### 3.ç Cash outflows generating derivative transactions and informations about transactions are liable to warrant completing

Bank's derivative transactions are mainly executed with the counterparties having ISDA and CSA agreements due to the client transactions and position hedging within Bank's balance sheet management. Those transactions are monitored through market valuation of the transactions with each of the counterparties. Collateralization with counterparties is executed on daily basis.

##### 3.d Counterparty and product-based funding sources and concentration limits on collateral

The funding sources of the Bank, that's main business area is development banking, are international development banks and financial institutions in general. On counterparty and product basis there is no concentration limit.

##### 3.e Taking into account the legal and operational liquidity transfer inhibiting factors, the needed funds and the liquidity risk exposure based on Banks itself, the branches in foreign countries and consolidated partnerships.

None.

##### 3.f Taken in the calculation of liquidity coverage ratio but not included in the disclosure template in the second paragraph and the information regarding the other cash inflows and cash outflows items which are thought to be related to the Bank's liquidity profile.

None.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

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	245.686	565.428	-	-	-	-	-	811.114
Banks	10.158	524.671	-	-	-	-	-	534.829
Financial Assets at Fair Value Through Profit and Loss	-	7.777	21.165	40.463	31.333	96.477	-	197.215
Money Market Placements	-	895.256	185.018	-	-	-	-	1.080.274
Financial Assets Available-for-Sale	-	25.931	69.032	449.359	1.231.968	1.157.658	37.021	2.970.969
Loans	-	553.824	633.430	2.631.399	6.949.510	2.907.316	-	13.675.479
Held-to-Maturity Investments	-	-	-	-	26.933	845.669	-	872.602
Other Assets <sup>(**)</sup>	-	-	-	-	3.115	978	588.010	592.103
<b>Total Assets</b>	<b>255.844</b>	<b>2.572.887</b>	<b>908.645</b>	<b>3.121.221</b>	<b>8.242.859</b>	<b>5.008.098</b>	<b>625.031</b>	<b>20.734.585</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	555.318	172.866	1.761.539	5.149.311	5.805.753	-	13.444.787
Money Market Borrowings	-	2.168.420	1.061	-	-	-	-	2.169.481
Securities Issued	-	-	-	-	2.037.571	-	-	2.037.571
Miscellaneous Payables	-	-	-	-	-	-	117.245	117.245
Other Liabilities <sup>(***)</sup>	-	40.687	26.880	54.369	44.744	43.227	2.755.594	2.965.501
<b>Total Liabilities</b>	<b>-</b>	<b>2.764.425</b>	<b>200.807</b>	<b>1.815.908</b>	<b>7.231.626</b>	<b>5.848.980</b>	<b>2.872.839</b>	<b>20.734.585</b>
<b>Liquidity Gap</b>	<b>255.844</b>	<b>(191.538)</b>	<b>707.838</b>	<b>1.305.313</b>	<b>1.011.233</b>	<b>(840.882)</b>	<b>(2.247.808)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>		<b>(4.099)</b>	<b>(9.660)</b>	<b>(18.966)</b>	<b>(15.589)</b>	<b>2.434</b>		<b>(45.880)</b>
Financial Derivative Assets	-	-	-	-	-	2.434	-	2.434
Financial Derivative Liabilities	-	(4.099)	(9.660)	(18.966)	(15.589)	-	-	(48.314)
Non-Cash Loans <sup>(****)</sup>	-	7.770	6.596	173.789	707.238	586.622	300.651	1.782.666
<b>Prior Period</b>								
Total Assets	41.883	1.405.700	625.950	2.048.184	7.017.599	4.130.103	431.294	15.700.713
Total Liabilities	-	2.390.811	283.633	962.737	4.838.821	4.599.911	2.624.800	15.700.713
<b>Liquidity Gap</b>	<b>41.883</b>	<b>(985.111)</b>	<b>342.317</b>	<b>1.085.447</b>	<b>2.178.778</b>	<b>(469.808)</b>	<b>(2.193.506)</b>	<b>-</b>
<b>Net Off -Balance Sheet Position</b>		<b>(158.520)</b>	<b>(1.820)</b>	<b>4.010</b>	<b>3.037</b>	<b>(3.294)</b>		<b>(156.587)</b>
Financial Derivative Assets	-	-	-	4.010	3.037	-	-	7.047
Financial Derivative Liabilities	-	(158.520)	(1.820)	-	-	(3.294)	-	(163.634)
Non-Cash Loans <sup>(****)</sup>	-	79.896	23.976	53.268	650.696	374.242	270.991	1.453.069

<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> Borrower funds amounting to TL 30.667 are presented in "Other Liabilities" within 1-month maturity column.

<sup>(\*\*\*\*)</sup> Has no effect on net off-balance sheet position.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

##### Leverage Ratio

##### a) Information about the change in leverage ratio between current and prior periods

The main reason of change in consolidated leverage ratio between the current and prior period is increase of balance sheet assets. Total balance sheet asset increased by 33,36% compare to prior period.

##### b) Comparison Chart of the total assets in the consolidated financial statements prepared in accordance with TAS and the total risk

	Prior Period <sup>(*)</sup>	Current Period <sup>(*)</sup>
1 Total assets in the consolidated financial statement prepared in accordance with TAS <sup>(**)</sup>	16.201.292	19.267.261
Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks	(24.409)	7.191
2 Differences between the balances of derivative financial instruments and the loan derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(57.214)	(166.296)
3 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	1.897.875	2.643.939
4 Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.061.336)	(3.342.558)
5 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
6 Total Risk	18.130.314	24.925.783

<sup>(\*)</sup>The arithmetic average of the last three months in the related periods.

<sup>(\*\*)</sup>The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks. 30 June 2015 figures used in this table due to the current period consolidated financial statements prepared in accordance with TAS are not audited as of the date of this report.

##### c) Leverage ratio

	Prior Period <sup>(*)</sup>	Current Period <sup>(*)</sup>
<b>Balance sheet exposures</b>		
1 Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	14.900.533	19.872.393
2 (Assets amounts deducted in determining Tier 1 capital)	(980)	(126.801)
3 Total balance sheet exposures	<b>14.899.553</b>	<b>19.745.592</b>
<b>Derivative financial instruments and loan derivatives</b>		
4 Replacement cost of derivative financial instruments and loan derivatives	66.242	199.076
5 Potential loan risk of derivative financial instruments and loan derivatives	56.299	132.198
6 Total derivative financial instruments and loan derivatives exposure	<b>122.541</b>	<b>331.274</b>
<b>Securities financing transaction exposure</b>		
7 Total risk of gross securities financing transactions (excluding balance sheet exposure)	227.904	384.893
8 Agent transactions exposures		
9 Total securities financing transaction exposures	<b>227.904</b>	<b>384.893</b>
<b>Off-balance sheet items</b>		
10 Off-balance sheet exposure at gross notional amount	4.026.578	6.053.628
11 (Adjustments for conversion to credit equivalent amounts)	(2.061.336)	(3.342.558)
12 Total risk of off-balance sheet items	1.965.242	2.711.070
<b>Capital and total exposure</b>		
13 Tier 1 capital	2.251.109	2.445.084
14 Total exposures	17.215.240	23.172.829
Leverage Ratio		
<b>15 Leverage Ratio</b>	<b>13,08%</b>	<b>10,55%</b>

<sup>(\*)</sup> The arithmetic average of the last three months in the related periods.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (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	565.451	184.987	1.874.314	5.614.214	6.205.279	(999.459)	13.444.786
Money Market Borrowings	2.170.657	1.070	-	-	-	(2.246)	2.169.481
Marketable Securities Issued	-	-	106.393	2.371.638	-	(440.460)	2.037.571
Funds	30.677	-	-	-	-	-	30.677
<b>Total</b>	<b>2.766.785</b>	<b>186.057</b>	<b>1.980.707</b>	<b>7.985.852</b>	<b>6.205.279</b>	<b>(1.442.165)</b>	<b>17.682.515</b>

Prior 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	275.505	198.713	1.015.290	4.315.172	4.836.835	(645.832)	9.995.683
Money Market Borrowings	2.072.951	90.822	-	-	-	(1.279)	2.162.494
Marketable Securities Issued	-	-	43.724	980.201	-	(210.101)	813.824
Funds	39.081	-	-	-	-	-	39.081
<b>Total</b>	<b>2.387.537</b>	<b>289.535</b>	<b>1.059.014</b>	<b>5.295.373</b>	<b>4.836.835</b>	<b>(857.212)</b>	<b>13.011.082</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	2.860.925	143.955	1.038.302	6.508.089	6.509.727	(22.553)	17.038.445
Forward Contracts	88.494	12.924	37.447	268.223	-	-	407.088
Futures Transactions	-	-	-	-	-	-	-
Options	91.402	789.940	1.383.780	211.276	-	-	2.476.398
Other	-	-	89.210	-	-	-	89.210
<b>Total</b>	<b>3.040.821</b>	<b>946.819</b>	<b>2.548.739</b>	<b>6.987.588</b>	<b>6.509.727</b>	<b>(22.553)</b>	<b>20.011.141</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	1.435.438	542.240	615.593	3.436.171	1.873.930	(62.545)	7.840.827
Forward Contracts	5.761	43.336	-	-	-	-	49.097
Futures Transactions	-	-	-	-	-	-	-
Options	542.833	65.876	878.222	-	-	-	1.486.931
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>1.984.032</b>	<b>651.452</b>	<b>1.493.815</b>	<b>3.436.171</b>	<b>1.873.930</b>	<b>(62.545)</b>	<b>9.376.855</b>

#### IX. Explanations related to securitization positions

None.

#### 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

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### X. Explanations related to credit risk mitigation techniques (continued)

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, Stock Pledges), guarantees and mortgages. As of 31 December 2015, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used. As of 31 December 2015 and 31 December 2014, risk amounts which credit risk mitigation techniques are used are shown below the table according to risk types.

##### Collaterals According to Risk Classifications

Current Period	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
<b>Risk Types</b>				
Contingent and Non-Contingent Claims on Sovereigns	4.642.482	150.213	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	4.164	1.541	-	-
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	5.828.435	2.440.099	-	-
Contingent and Non-Contingent Claims on Corporates	17.229.382	37.611	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	902.620	-	-	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	170	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-
Other Claims	733.041	5.332	-	-
<b>Total</b>	<b>29.340.294</b>	<b>2.634.796</b>	<b>-</b>	<b>-</b>

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



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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### X. Explanations related to credit risk mitigation techniques (continued)

Prior Period	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
<b>Risk Types</b>				
Contingent and Non-Contingent Claims on Sovereigns	3.654.952	97.878	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	1.086	47	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	3.063	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	3.312.714	2.130.644	-	-
Contingent and Non-Contingent Claims on Corporates	14.395.427	35.623	-	2.688
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	439.328	-	-	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	46	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-
Other Claims	407.921	6.638	-	-
<b>Total</b>	<b>22.214.537</b>	<b>2.270.830</b>	<b>-</b>	<b>2.688</b>

<sup>(\*)</sup> Includes the total amounts before considering the effects of credit risk mitigation.

#### Main guarantors and their credibility

None.

#### 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 the 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, the Bank's Risk Management Department, continues its activities reporting to 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 Department 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 Department 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.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### XI. Explanations related to risk management objective and policies (continued)

###### *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.

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 Department is 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" method. The Bank's Risk Management Department is 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.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### XI. Explanations related to risk management objective and policies (continued)

###### 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 Department is 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.

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>19.134.153</b>	<b>14.722.747</b>	<b>19.247.124</b>	<b>14.776.277</b>
Money Market Placements	1.080.274	104.913	1.080.274	104.913
Banks	534.829	122.318	534.829	122.318
Available-For-Sale Financial Assets	2.970.969	3.514.896	2.970.969	3.514.896
Held-To-Maturity Investments	872.602	-	872.602	-
Loans <sup>(*)</sup>	13.675.479	10.980.620	13.788.450	11.034.150
<b>Financial Liabilities</b>	<b>17.799.761</b>	<b>13.095.629</b>	<b>17.811.306</b>	<b>13.114.532</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	15.644.945	12.197.258	15.644.945	12.197.258
Marketable Securities Issued	2.037.571	813.824	2.049.116	832.727
Miscellaneous Payables	117.245	84.547	117.245	84.547

<sup>(\*)</sup> Loans include financial lease receivables.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XII. Explanations related to presentation of financial assets and liabilities at fair value (continued)

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.
- iv- For the fair value calculation of marketable securities, market 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	28.233	168.982	-
Financial Assets Available For Sale	1.903.147	1.063.795	3.809
Associates and Subsidiaries	194.786	-	82.366
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	173.431	-
<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	-	71.931	-
Financial Assets Available For Sale	2.580.866	923.763	10.267
Associates and Subsidiaries	216.432	-	78.810
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative Financial Liabilities Held For Trading	-	64.831	-

#### 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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### 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	12	-	8	-
Balances with the Central Bank of Turkey	40.426	770.676	31.628	476.152
Other	-	-	-	-
<b>Total</b>	<b>40.438</b>	<b>770.676</b>	<b>31.636</b>	<b>476.152</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	40.426	3.437	31.628	2.984
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(*)</sup>	-	767.239	-	473.168
<b>Total</b>	<b>40.426</b>	<b>770.676</b>	<b>31.628</b>	<b>476.152</b>

<sup>(\*)</sup> Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

In accordance with the regulation issued at 27 January 2015, CBRT has began to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. As of 5 May 2015, the CBRT has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 2 May 2015.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 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 2015 are presented in table below:

Reserve Rates for TL Liabilities (%)		
Original maturity	Required Reserve rate	
Other liabilities until 1 year maturity (1 year include)		11,5
Other liabilities until 3 year maturity (3 year include)		8
Other liabilities more than 3 year maturity		5
Reserve Rates for Foreign Currency Liabilities (%)		
Original maturity	Required Reserve rate	Required Reserve rate
	If the fund borrowed before 28 August 2015	If the fund borrowed after 28 August 2015
Other liabilities until 1 year maturity (1 year include)	20	25
Other liabilities until 1-2 year maturity (2 year include)	14	20
Other liabilities until 2-3 year maturity (3 year include)	8	15
Other liabilities until 3-5 year maturity (5 year include)	7	7
Other liabilities more than 5 year maturity	6	5

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (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 blockage:

As of the reporting date, the Bank has no trading securities given as collateral or blockage (31 December 2014: 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 2014: 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 blockage:

As of the reporting date, the Bank has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2014: 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 2014: None).

##### 2.b Positive differences table related to derivative financial assets held-for-trading:

Held for Trading Financial Derivative	Current Period		Prior Period	
	TL	FC	TL	FC
Instruments				
Forward Transactions	769	2.606	74	28
Swap Transactions	8.427	83.584	15.366	35.307
Futures Transactions	-	-	-	-
Options	-	73.596	-	21.156
Other	-	-	-	-
<b>Total</b>	<b>9.196</b>	<b>159.786</b>	<b>15.440</b>	<b>56.491</b>

##### 3. Information on banks and foreign banks account

##### 3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	324	496.997	22.052	94.555
Foreign	-	37.508	-	5.711
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>324</b>	<b>534.505</b>	<b>22.052</b>	<b>100.266</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 3. Information on banks and foreign banks account (continued)

##### 3.b Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	3.514	3.857	-	-
USA and Canada	3.782	763	-	-
OECD Countries <sup>(*)</sup>	30.212	1.091	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>37.508</b>	<b>5.711</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> OECD countries other than European Union countries, USA and Canada.

##### 4. Information on available-for-sale financial assets

##### 4.a.1 Available-for-sale financial assets subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1.507.545	-	2.016.726	-
Treasury bills	-	-	-	-
Other debt securities	-	76.662	-	307.313
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.507.545</b>	<b>76.662</b>	<b>2.016.726</b>	<b>307.313</b>

##### 4.a.2 Information on available-for-sale financial assets given as collateral or blockage:

All available for sale financial assets given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 737.201 (31 December 2014: TL 251.539).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	259.298	477.903	183.982	67.557
Other	-	-	-	-
<b>Total</b>	<b>259.298</b>	<b>477.903</b>	<b>183.982</b>	<b>67.557</b>

##### 4.b Major types of available for sale financial assets:

Available for sale financial assets comprise government bonds 60,36%, Eurobonds 27,98% and shares and other securities 11,66% (31 December 2014: government bonds 70,87%, Eurobonds 15,08% and shares and other securities 14,05%).



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 4. Information on available-for-sale financial assets (continued)

##### 4.c Information on available for sale financial assets portfolio:

	Current Period	Prior Period
Debt securities	2.967.995	3.482.152
Quoted on a stock exchange	2.106.882	2.929.125
Unquoted	861.113	553.027
Share certificates	50.286	43.553
Quoted on a stock exchange	27.737	24.884
Unquoted	22.549	18.669
Other Impairment provision(-)	(47.312)	(10.809)
<b>Total</b>	<b>2.970.969</b>	<b>3.514.896</b>

The net book value of unquoted available for sale share certificates is TL 14,147 (31 December 2014: TL 10,267).

##### 5. Explanations 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	84.840	117.412	84.174	117.412
Corporate shareholders	84.840	117.412	84.174	117.412
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	228	-	131	-
<b>Total</b>	<b>85.068</b>	<b>117.412</b>	<b>84.305</b>	<b>117.412</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (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		
	Amendments on Conditions of Contract			Amendments on Conditions of Contract		
	Loans and Other receivables(Total)	Amendments Related To The Extension Of The Payment Plan	Other	Loans and Other Receivables (Total)	Amendments Related To The Extension Of The Payment Plan	Other
<b>Cash Loans</b>						
Non-specialized loans	13.530.744	155.782	-	144.735	54.275	64.267
Corporation loans	4.441.986	-	-	8.867	8.867	-
Export loans	115.914	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.677.116	-	-	-	-	-
Consumer loans	228	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	7.295.500	155.782	-	135.868	45.408	64.267
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>13.530.744</b>	<b>155.782</b>	<b>-</b>	<b>144.735</b>	<b>54.275</b>	<b>64.267</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
Receivables	Amendments on Conditions of Contract			Amendments on Conditions of Contract		
	Loans and Other receivables(Total)	Amendments Related To The Extension Of The Payment Plan	Other	Loans and Other Receivables (Total)	Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	10.817.052	143.563	-	163.568	98.901	35.849
Corporation loans	3.737.157	-	-	10.468	5.332	-
Export loans	68.340	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.383.797	-	-	-	-	-
Consumer loans	131	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	5.627.627	143.563	-	153.100	93.569	35.849
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>10.817.052</b>	<b>143.563</b>	<b>-</b>	<b>163.568</b>	<b>98.901</b>	<b>35.849</b>

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Number of amendments related to the extension of the payment plan</b>		
Extended for 1 or 2 times	155.782	54.275
Extended for 3-4 or 5 times	-	-
Extended for more than 5 times	-	-

Prior Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Number of amendments related to the extension of the payment plan</b>		
Extended for 1 or 2 times	143.563	98.901
Extended for 3-4 or 5 times	-	-
Extended for more than 5 times	-	-

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>The time extended via the amendment on payment plan</b>		
0-6 Months	-	-
6 Months -12 Months	-	-
1-2 Years	-	40.472
2-5 Years	76.976	-
5 Years	78.806	13.803
<b>Prior Period</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
<b>The time extended via the amendment on payment plan</b>		
0-6 Months	-	-
6 Months -12 Months	-	-
1-2 Years	-	84.237
2-5 Years	69.889	-
5 Years	73.674	14.664

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 and also provided general loan loss provision at a rate of 2,5% for one loan customer which is followed under standard loans which have been extended more than 1 year.

##### 5.c Loans according to their maturity structure:

Current Period	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
Short-term loans and other receivables	618.693	-	-	-
Non-specialized loans	618.693	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	12.912.051	155.782	144.735	118.542
Non-specialized loans	12.912.051	155.782	144.735	118.542
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

5.c Loans according to their maturity structure:

Prior Period	Standard Loans and Other Receivables		Loans and Other Receivables	
	Loans and Other Receivables(Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
<b>Under Close Monitoring</b>				
Short-term loans and other receivables	1.327.792	-	-	-
Non-specialized loans	1.327.792	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	9.489.260	143.563	163.568	134.750
Non-specialized loans	9.489.260	143.563	163.568	134.750
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (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	55	173	228
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	55	173	228
Other	-	-	-
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>55</b>	<b>173</b>	<b>228</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

##### 5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (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	75	56	131
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	75	56	131
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>75</b>	<b>56</b>	<b>131</b>



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (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 2014: None).

##### 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	32.171	52.621
Private	13.643.308	10.927.999
<b>Total</b>	<b>13.675.479</b>	<b>10.980.620</b>

##### 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	13.588.730	10.927.175
Foreign loans	86.749	53.445
<b>Total</b>	<b>13.675.479</b>	<b>10.980.620</b>

##### 5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	451.705	305.972
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>451.705</b>	<b>305.972</b>

##### 5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	3.603	4.456
Loans and receivables with doubtful collectability	-	-
Uncollectible loans and receivables	55.802	12.480
<b>Total</b>	<b>59.405</b>	<b>16.936</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)	-	-	5.395
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	5.395
<b>Prior Period</b>			
(Gross amounts before provisions)	-	-	3.433
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	3.433

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

##### 5.j Information on non-performing loans (net) (continued):

##### 5.j.2 Movement of non-performing loans:

Current Period	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Prior period end balance</b>	<b>4.456</b>	<b>-</b>	<b>12.480</b>
Additions (+)	43.354	-	38
Transfers from other categories of non-performing			
Loans (+)	-	43.334	43.334
Transfers to other categories of non-performing loans (-)	(43.334)	(43.334)	-
Collections (-)	(844)	-	(50)
Write-offs (-)	(29)	-	-
Corporate and Commercial Loans	(29)	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>3.603</b>	<b>-</b>	<b>55.802</b>
Specific provision (-)	(3.603)	-	(55.802)
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prior Period	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior period end balance	17.327	6.378	12.548
Additions (+)	9.891	102	89
Transfers from other categories of non-performing			
Loans (+)	-	20.933	6.378
Transfers to other categories of non-performing loans (-)	(20.933)	(6.378)	-
Collections (-) <sup>(*)</sup>	(1.829)	(21.035)	(6.534)
Write-offs (-)	-	-	(1)
Corporate and Commercial Loans	-	-	(1)
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>4.456</b>	<b>-</b>	<b>12.480</b>
Specific provision (-)	(4.456)	-	(12.480)
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> The amount of TL 19.932 transferred to 2. group account receivables is situated in the line of "Collections".

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

5.j Information on non-performing loans (net) (continued):

5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	1.651	-	-
Specific Provision (-)	(1.651)	-	-
<b>Net Balance on Balance Sheet</b>	-	-	-
<b>Prior Period</b>			
Period End Balance	1.991	-	48
Specific Provision (-)	(1.991)	-	(48)
<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	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	3.603	-	55.802
Specific Provision Amount (-)	(3.603)	-	(55.802)
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>	<b>4.456</b>	<b>-</b>	<b>12.480</b>
Loans to Real Persons and Legal Entities (Gross)	(4.456)	-	(12.480)
Specific Provision Amount (-)	-	-	-
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)	-	-	-

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (continued)

##### 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.

##### 5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	11.491.571	2.168.539	228	-	13.660.338
Past due not impaired	3.848	11.293	-	-	15.141
Individually impaired	19.348	40.057	-	-	59.405
<b>Total</b>	<b>11.514.767</b>	<b>2.219.889</b>	<b>228</b>	<b>-</b>	<b>13.734.884</b>
Less: allowance for individually impaired loans	(19.348)	(40.057)	-	-	(59.405)
<b>Total allowance for impairment</b>	<b>(19.348)</b>	<b>(40.057)</b>	<b>-</b>	<b>-</b>	<b>(59.405)</b>
<b>Net Loan Amount</b>	<b>11.495.419</b>	<b>2.179.832</b>	<b>228</b>	<b>-</b>	<b>13.675.479</b>
Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	9.192.534	1.731.353	131	-	10.924.018
Past due not impaired	11.913	44.689	-	-	56.602
Individually impaired	14.448	2.488	-	-	16.936
<b>Total</b>	<b>9.218.895</b>	<b>1.778.530</b>	<b>131</b>	<b>-</b>	<b>10.997.556</b>
Less: allowance for individually impaired loans	(14.448)	(2.488)	-	-	(16.936)
<b>Total allowance for impairment</b>	<b>(14.448)</b>	<b>(2.488)</b>	<b>-</b>	<b>-</b>	<b>(16.936)</b>
<b>Net Loan Amount</b>	<b>9.204.447</b>	<b>1.776.042</b>	<b>131</b>	<b>-</b>	<b>10.980.620</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 2015</b>	<b>(14.448)</b>	<b>(2.488)</b>	<b>-</b>	<b>-</b>	<b>(16.936)</b>
Charge for the year	(5.510)	(37.882)	-	-	(43.392)
Recoveries	581	313	-	-	894
Amounts written off	29	-	-	-	29
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2015</b>	<b>(19.348)</b>	<b>(40.057)</b>	<b>-</b>	<b>-</b>	<b>(59.405)</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Information on loans (continued)

##### 5.m Other explanations and disclosures (continued):

	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2014</b>	<b>(12.352)</b>	<b>(23.901)</b>	-	-	<b>(36.253)</b>
Charge for the year	(2.473)	(7.609)	-	-	(10.082)
Recoveries	377	29.021	-	-	29.398
Amounts written off	-	1	-	-	1
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2014</b>	<b>(14.448)</b>	<b>(2.488)</b>	-	-	<b>(16.936)</b>

A breakdown of the allowance for impairment losses is given below:

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(19.348)	(40.057)	-	-	(59.405)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	19.348	40.057	-	-	59.405
Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(14.448)	(2.488)	-	-	(16.936)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	14.448	2.488	-	-	16.936

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
<b>At 1 January</b>	<b>16.936</b>	<b>36.253</b>
Charge for the year	43.392	10.082
Recoveries	(894)	(29.398)
Amounts written off	(29)	(1)
Interest accrued on impaired loans and other receivables	-	-
<b>At 31 December</b>	<b>59.405</b>	<b>16.936</b>
Individual impairment	(59.405)	(16.936)
Gross amount of loans, individually determined to be impaired, (before deducting any individually assessed impairment allowance)	59.405	16.936

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	3.848	-	-	-	3.848
SME Loans	-	11.293	-	-	11.293
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>3.848</b>	<b>11.293</b>	-	-	<b>15.141</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Information on loans (continued)

5.m Other explanations and disclosures (continued):

Prior Period	Less than 30 days	31- 60 Days	61- 90 Days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	-	6.778	5.135	-	11.913
SME Loans	952	43.737	-	-	44.689
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>952</b>	<b>50.515</b>	<b>5.135</b>	<b>-</b>	<b>56.602</b>

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	11.230	-
Financial assets	-	-
Other (bailment, pledge for vehicles and ship)	-	54.414
<b>Total</b>	<b>11.230</b>	<b>54.414</b>

Loans and other receivables amounting to TL 10.104.058 have floating interest rates (31 December 2014: TL 8.446.614) and the remaining TL 3.571.421 have fixed interest rates (31 December 2014: TL 2.534.006).

##### 6. Information on held-to-maturity investments

##### 6.1 The information was subjected to repo transactions and given as collateral/blocked amount of investments

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	-	-	-
Subject to Repurchase Agreements	714.229	-	-	-
<b>Total</b>	<b>714.229</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 6.2 Information on public sector debt investments held-to-maturity

	Current Period	Prior Period
Government Bonds	872.602	-
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>872.602</b>	<b>-</b>

##### 6.3 Information on held-to-maturity investments

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	715.194	-
Not Quoted	157.408	-
Impairment provision (-)	-	-
<b>Total</b>	<b>872.602</b>	<b>-</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 6. Information on held-to-maturity investments (continued)

##### 6.4 Movement of held to maturity investments within the year:

	Current Period	Prior Period
Balances at Beginning of Period	-	-
Foreign Currency Differences on Monetary Assets	(789)	-
Purchases During The Period <sup>(1)</sup>	851.290	-
Disposals Through Sales And Redemptions	(5.832)	-
Impairment Provision (-)	-	-
Interest Income Accruals	27.933	-
Balances at End of Period	872.602	-

<sup>(1)</sup> The Bank reclassified "Government Bond with CPI Index" with a nominal value of TL 533.626 and "Eurobond" with nominal value of US Dollar 34.577 from available-for-sale to held-to-maturity portfolio in the current period.

##### 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	57,33
3 İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	68,78
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	10,05	20,10

	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	1.978.756	99.831	560	125.258	-	24.167	7.938	-
2 İş Finansal	3.655.849	692.343	16.575	270.926	54	81.481	72.194	122.527
3 İş Girişim <sup>(1)</sup>	260.897	257.959	273	7.140	4.940	3.625	13.075	20.405
4 Terme <sup>(1)</sup>	15.589	3.613	287	331	-	75	93	-
5 Ege Tarım <sup>(1)</sup>	11.427	11.389	8.388	91	-	(172)	(946)	-

<sup>(1)</sup> Represents for the period ended 30 September 2015 financial statements. Prior year profit/loss is obtained from 30 September 2014 financial statements.

##### 7.a.2 Information on associates:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>161.038</b>	<b>152.328</b>
Movements During the Period	(5.030)	8.710
Purchases	-	200
Bonus Shares Obtained	24.760	11.940
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	(29.790)	(3.430)
<b>Balance at the End of the Period</b>	<b>156.008</b>	<b>161.038</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 7. Information on associates (net) (continued)

##### 7.a.2 Information on associates (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

In the current period, the Bank has obtained bonus shares amounting TL 5.110 with a share capital increase of İş Factoring A.Ş. amounting to TL 23.500.

Besides, İş Leasing A.Ş. capital was increased from TL 461.503 to TL 530.303 in the current period. The Bank has obtained bonus shares amounts to TL 19.650 as a result of bonus shares increase.

##### 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	11.882	6.771
Leasing Companies	122.527	125.215
Financial Service Companies	-	-
Other Financial Associates	20.044	27.497

##### 7.a.4 Information on associates subject to consolidation quoted on stock market:

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	142.571	152.712
Associates quoted on foreign stock exchanges	-	-

##### 8. Information on subsidiaries (net)

##### 8.a.1 Information related to equity component of subsidiaries:

Current Period		
	YFAŞ <sup>(*)</sup>	TSKB GYO <sup>(*)</sup>
<b>CORE CAPITAL</b>		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	4.730	5.721
Other Comprehensive Income according to TAS	(73)	(27)
Current and Prior Years' Profit/Loss	2.855	68.024
Leasehold Improvements (-)	(1.231)	-
Intangible Assets (-)	(344)	(21)
<b>Total Core Capital</b>	<b>70.212</b>	<b>224.290</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>70.212</b>	<b>224.290</b>

<sup>(\*)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2015.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 8. Information on subsidiaries (net) (continued)

##### 8.a.1 Information related to equity component of subsidiaries: (continued)

Prior Period	YFAŞ <sup>(*)</sup>	TSKB GYO <sup>(*)</sup>
<b>CORE CAPITAL</b>		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	4.730	5.696
Other Comprehensive Income according to TAS	(396)	-
Current and Prior Years' Profit/Loss	5.049	55.643
Leasehold Improvements (-)	(1.439)	-
Intangible Assets (-)	(463)	(15)
<b>Total Core Capital</b>	<b>71.756</b>	<b>211.917</b>
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>-</b>	<b>-</b>
<b>Net Available Capital</b>	<b>71.756</b>	<b>211.917</b>

<sup>(\*)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2014.

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.

The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the operation.

##### 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. is valued at cost and is not consolidated since it is not a financial subsidiaries. Unconsolidated subsidiary of the Bank is 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	72,48

	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	14.152	11.630	1.122	645	-	1.660	2.564	-
YFAŞ. <sup>(*)</sup>	684.430	70.947	3.232	23.231	1.258	(2.194)	2.450	-
TSKB GYO <sup>(*)</sup>	423.148	224.311	403.757	483	-	12.381	1.972	52.215

<sup>(\*)</sup> The consolidated financial data of the subsidiaries are prepared in accordance with BRSA regulations.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 8. Information on subsidiaries (net) (continued)

##### 8.b.2 Information on subsidiaries:

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>134.204</b>	<b>134.698</b>
Movements in the period	(11.505)	(494)
Purchases	-	-
Bonus shares obtained	-	2.394
Current year share of profit	-	-
Sales	-	(233)
Revaluation increase	-	-
Provision for impairment	(11.505)	(2.655)
<b>Balance at the end of the period</b>	<b>122.699</b>	<b>134.204</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

##### *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	122.320	133.825

##### 8.b.4 Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	52.215	63.720
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 2014: None).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (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	98	-	87	-
Between 1 - 4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>98</b>	<b>-</b>	<b>87</b>	<b>-</b>

##### 10.b The information on net investments in finance leases:

	Current Period	Prior Period
Gross investments in finance leases	98	87
Unearned revenue from finance leases (-)	(98)	(87)
Cancelled finance leases (-)	-	-
Net investments in finance leases	-	-

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 held for hedging purposes

##### 11.a Positive differences on derivative financial instruments held for hedging purposes

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	4.093	-	-
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4.093</b>	<b>-</b>	<b>-</b>

As of 31 December 2015, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	4.689.900	4.093	(5.799)	-	-	-
FC	4.689.900	4.093	(5.799)	-	-	-
TL	-	-	-	-	-	-

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 11. Information on derivative financial assets held for hedging purposes (continued)

##### 11.a.1 Information on fair value hedge accounting

Current Period	Hedged Item	Type of Risk	Fair Value Change of Hedged Item <sup>(*)</sup>	Fair Value of Hedging Instrument <sup>(*)</sup>	Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item			Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate				
Issued Eurobond	Interest Rate Risk	3.814	-	(5.980)	(2.166)
Interest Rate Swap Transactions	Fixed Rate				
Loans Used	Interest Rate Risk	376	-	(1.461)	(1.085)

<sup>(\*)</sup> The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

##### 12. Information on tangible assets (net)

Since the third quarter of the current period, the Group changed its accounting policy and adopted revaluation method under scope of TAS 16 with respect to valuation of immovable properties included in tangible fixed assets. As a result of the valuation commissioned appraisal firms authorized by CMB and BRSA, cost amount of TL 29.647 is shown under current year additions and reversal of accumulated depreciation amount of TL 2.366 is shown under current year disposals and revaluation differences amount of TL 32.013 is accounted under the shareholders' equity As of 31 December 2015, pre-valuation of the net book value of immovable properties included in tangible fixed assets were amount of TL 4.847.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Transfer	Current Period End
Cost					
Land and buildings	6.460	30.400	-	-	36.860
Assets held under finance leases	2.443	-	(55)	-	2.388
Vehicles	990	-	-	-	990
Assets held for resale	1.786	-	(1.210)	-	576
Other	10.956	18.934	(10.500)	-	19.390
<b>Total Cost</b>	<b>22.635</b>	<b>49.334</b>	<b>(11.765)</b>	<b>-</b>	<b>60.204</b>
Accumulated depreciation					
Land and buildings	(2.277)	(122)	2.366	-	(33)
Assets held under finance leases	(1.937)	(126)	55	-	(2.008)
Vehicles	(291)	(199)	-	-	(490)
Assets held for resale	(18)	(13)	28	-	(3)
Other	(7.673)	(1.579)	283	-	(8.969)
<b>Total accumulated depreciation</b>	<b>(12.196)</b>	<b>(2.039)</b>	<b>2.732</b>	<b>-</b>	<b>(11.503)</b>
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(177)	(42)	33	-	(186)
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>(177)</b>	<b>(42)</b>	<b>33</b>	<b>-</b>	<b>(186)</b>
<b>Net book value</b>	<b>10.262</b>	<b>47.253</b>	<b>(9.000)</b>	<b>-</b>	<b>48.515</b>

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### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 12. Explanations on tangible assets (net) (continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Transfer	Current Period End
Cost					
Land and buildings	7.485	16	-	(1.041)	6.460
Assets held under finance leases	1.593	-	(191)	1.041	2.443
Vehicles	968	761	(739)	-	990
Assets held for resale	1.203	2.744	(2.161)	-	1.786
Other	8.937	3.168	(1.149)	-	10.956
<b>Total Cost</b>	<b>20.186</b>	<b>6.689</b>	<b>(4.240)</b>	<b>-</b>	<b>22.635</b>
Accumulated depreciation					
Land and buildings	(2.688)	(132)	-	543	(2.277)
Assets held under finance leases	(1.432)	(142)	180	(543)	(1.937)
Vehicles	(841)	(146)	696	-	(291)
Assets held for resale	(17)	(29)	28	-	(18)
Other	(7.407)	(669)	403	-	(7.673)
<b>Total accumulated depreciation</b>	<b>(12.385)</b>	<b>(1.118)</b>	<b>1.307</b>	<b>-</b>	<b>(12.196)</b>
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(466)	(848)	1.137	-	(177)
Other	-	-	-	-	-
<b>Total impairment provision</b>	<b>(466)</b>	<b>(848)</b>	<b>1.137</b>	<b>-</b>	<b>(177)</b>
<b>Net book value</b>	<b>7.335</b>	<b>4.723</b>	<b>(1.796)</b>	<b>-</b>	<b>10.262</b>

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, the Bank recorded impairment of TL 42 and TL reversal of impairment of TL 21 (31 December 2014: TL 848 impairment; TL 819 canceled impairment).

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 2014: None).

#### 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.

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### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 13. Information on intangible assets (continued)

##### 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:

Current Period				
	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	4.315	(3.625)	4.618	(3.932)
Prior Period				
	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	3.994	(3.349)	4.315	(3.625)

##### 13.d Movement of cost and accumulated amortization for the period:

Current Period				
	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	4.315	303	-	4.618
<b>Total Cost</b>	<b>4.315</b>	<b>303</b>	<b>-</b>	<b>4.618</b>
Accumulated amortization:				
Software	(3.625)	(307)	-	(3.932)
<b>Total Accumulated Amortization</b>	<b>(3.625)</b>	<b>(307)</b>	<b>-</b>	<b>(3.932)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>690</b>	<b>(4)</b>	<b>-</b>	<b>686</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 13. Information on intangible assets (continued)

##### 13.d Movement of cost and accumulated amortization for the period: (continued)

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	3.994	343	(22)	4.315
<b>Total Cost</b>	<b>3.994</b>	<b>343</b>	<b>(22)</b>	<b>4.315</b>
Accumulated amortization:				
Software	(3.349)	(298)	22	(3.625)
<b>Total Accumulated Amortization</b>	<b>(3.349)</b>	<b>(298)</b>	<b>22</b>	<b>(3.625)</b>
Impairment provision:				
Software	-	-	-	-
<b>Total Impairment provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>645</b>	<b>45</b>	<b>-</b>	<b>690</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 2014: 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 2014: 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 2014: 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 2014: 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 2014: 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 2014: 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 2014: None).

##### 13.l Information on goodwill:

As at the reporting date, the Bank has no goodwill (31 December 2014: 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 2014: None).

##### 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 2014: None).

##### 14. Information on investment property

The Bank has no investment property (31 December 2014: None).



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations related to the assets (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 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	16.103	12.365
Other provisions	12.000	16.600
Marketable securities	-	-
Employee benefit provision	1.750	1.547
Valuation of derivative instruments	5.802	587
Other	488	569
<b>Total Deferred Tax Asset</b>	<b>36.143</b>	<b>31.668</b>
<b>Deferred tax liability:</b>		
Marketable securities	(2.671)	(11.252)
Valuation of derivative instruments	-	-
Loan commissions accrual adjustment	(7.265)	(5.340)
Useful life difference of fixed assets	(321)	(133)
Other	(2.975)	(23)
<b>Total Deferred Tax Liability</b>	<b>(13.232)</b>	<b>(16.748)</b>
<b>Net Deferred Tax Asset</b>	<b>22.911</b>	<b>14.920</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 2014: 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 2014: None).

##### 16. Explanations on assets held for sale

In the current period, the Bank has no assets held for sale (31 December 2014: 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 2014: None).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	753	1.348	310	26
Swap Transactions	42.180	55.518	5.061	38.499
Futures Transactions	-	-	-	-
Options	-	73.632	-	20.935
Other	-	-	-	-
<b>Total</b>	<b>42.933</b>	<b>130.498</b>	<b>5.371</b>	<b>59.460</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	127.000	223.022	3.068	189.459
From Foreign Banks, Institutions and Funds	69.001	12.879.928	-	9.687.091
<b>Total</b>	<b>196.001</b>	<b>13.102.950</b>	<b>3.068</b>	<b>9.876.550</b>

##### 3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	56.360	3.068	367.148
Medium and long-term	196.001	13.046.590	-	9.509.402
<b>Total</b>	<b>196.001</b>	<b>13.102.950</b>	<b>3.068</b>	<b>9.876.550</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 (continued)

##### 3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	2.026.500	-	806.750
Cost	-	2.021.606	-	806.153
Book Value	-	2.037.571	-	813.824

As of 27 October 2014, sales transactions on the issuance of bonds or similar securities amounting to maximum USD 750 million in abroad is completed and the debt instruments having nominal value of USD 350 million are determined with maturity of 30 October 2019 with fixed interest rate, five year maturity and semiannual coupon payment with an interest rate of 5,375%. Accordingly, as of 22 April 2015, the issuance of second Eurobond with nominal value of USD 350 million has been realized. The debt instruments are determined with a maturity of 22 April 2020 with fixed interest rate, five year maturity and semiannual coupon payment with an interest rate of 5,125%.

##### 3.d 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 articularly 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	2.123.484	45.994	1.922.524	31.037
Financial institutions and organizations	2.103.104	1.440	1.877.343	-
Other institutions and organizations	19.821	38.884	44.408	29.066
Real persons	559	5.670	773	1.971
From Foreign Transactions	3	-	135	208.798
Financial institutions and organizations	-	-	-	204.742
Other institutions and organizations	2	-	1	-
Real persons	1	-	134	4.056
<b>Total</b>	<b>2.123.487</b>	<b>45.994</b>	<b>1.922.659</b>	<b>239.835</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 2014: None).

#### 5. Explanations on financial lease obligations (net)

##### 5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2014: None).

##### 5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 11 cars and 100 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2014: 2 head office buildings, 1 branch, 11 cars 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 2014: None).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the liabilities (continued)

#### 6. Information on derivative financial liabilities held for risk management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(5.799)	-	-
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(5.799)</b>	<b>-</b>	<b>-</b>

#### 7. Information on provisions

#### 7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	150.329	125.194
Provisions for First Group Loans and Receivables	129.715	105.337
<i>- Additional provisions for the loans with extended payment plan</i>	<i>6.678</i>	<i>7.178</i>
Provisions for Second Group Loans and Receivables	4.522	6.238
<i>- Additional provisions for the loans with extended payment plan</i>	<i>2.714</i>	<i>4.945</i>
Provisions for Non-Cash Loans	2.721	2.719
Other	13.371	10.900

#### 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 1.776 (31 December 2014: TL 9.776). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

#### 7.c The specific provisions provided for unindemnified non cash loans:

As of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 583 (31 December 2014: 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 2014: 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 2015, employee termination benefits is amounting TL 7.849 reflected in financial statements (31 December 2014: TL 6.716). As of 31 December 2015, the Bank has provided a reserve for unused vacation amounting to TL 1.284 (31 December 2014: TL 1.019). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses amount of TL 382 are consisted after 1 January 2015, are recognised under Equity in accordance with revised TAS 19 standard (31 December 2014: TL 591).

#### Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2015, the Bank has no obligations on pension rights (31 December 2014: None).

#### Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2014: None).

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## NOTES TO THE FINANCIAL STATEMENTS

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the liabilities (continued)

##### 7. Information on provisions (continued)

##### 7.d Information related to other provisions: (continued)

##### 7.d.2 Information on employee termination benefits and unused vacation accrual (continued)

*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 2015 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2016, there is no need for technical or actual deficit to book provision as of 31 December 2015.

Accordingly, as of 31 December 2015 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
Other <sup>(1)</sup>	60.583	83.000
<b>Total</b>	<b>60.583</b>	<b>83.000</b>

<sup>(1)</sup> Other provisions balance includes amount to TL 60.000 for the risks related to loan portfolio and amount to TL 583 for unindemnified non cash loans (31 December 2014: TL 83.000 provision for risks on loan portfolio).

##### 8. Information on taxes payable

##### 8.a Information on current taxes payable:

##### 8.a.1 Information on taxes payable:

Corporate Taxes and Deferred Taxes	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate tax payable	41.871	-	32.390	-
Deferred tax liability	-	-	-	-
<b>Total</b>	<b>41.871</b>	<b>-</b>	<b>32.390</b>	<b>-</b>

##### 8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	41.871	32.390
Taxation of securities	437	500
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	3.085	2.101
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	193	161
Other	1.167	1.027
<b>Total</b>	<b>46.753</b>	<b>36.179</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 (continued)

##### 8. Information on taxes payable (continued)

##### 8.a Information on current taxes payable: (continued)

##### 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	23	20
Unemployment insurance-Employer	46	40
Other	-	-
<b>Total</b>	<b>69</b>	<b>60</b>

##### 8.b Explanations on deferred taxes liabilities:

As at the reporting date, the Bank has no deferred tax liability (31 December 2014: None).

##### 9. Information on liabilities regarding assets held for sale

None (31 December 2014: 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 50 Million US Dollars. Turkish Lira equivalent of the loan is amounting to TL 145.836 as of 31 December 2015. The interest accrued on this loan is TL 1.086 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 (0,525+3 spread) 3,525%. 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
Domestic Banks	-	-	-	-
Other Domestic Financial Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Other Foreign Financial Institutions	-	145.836	-	116.065
<b>Total</b>	<b>-</b>	<b>145.836</b>	<b>-</b>	<b>116.065</b>

##### 11. Information on shareholders' equity

##### 11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.750.000	1.500.000
Preferred stock	-	-

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### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the liabilities (continued)

##### 11. Information on shareholders' equity (continued)

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	1.750.000	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 2015, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

In the meeting of the General Assembly held on 27 March 2014, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.300.000 to TL 1.500.000 by TL 200.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2013. The increase in paid-in capital was approved by the BRSA on 16 April 2014 and, has been published in the Turkish Trade Registry Gazette No: 8573 on 21 May 2014.

##### 11.d Information on share capital increases from capital reserves:

In the current period, the extraordinary reserve amount of TL 16.000 provided from gain on sale of subsidiary and real estate added to paid-in-capital based on article of CTL-5(1)/e (31 December 2014: 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 Budget Planning and Investor Relations 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 2014: 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	(35.994)	-	(16.824)	-
Valuation Differences	(31.066)	11.288	68.538	50.912
Foreign Exchange Difference	2.427	-	-	-
<b>Total</b>	<b>(64.633)</b>	<b>11.288</b>	<b>51.714</b>	<b>50.912</b>

##### 11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	110.407	91.943
Second legal reserve	82.227	81.386
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>192.634</b>	<b>173.329</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 (continued)

#### 11. Information on shareholders' equity (continued)

##### 11.j Informations on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	82.703	54.612
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
<b>Total</b>	<b>82.703</b>	<b>54.612</b>

##### 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 <sup>(1)</sup>	Others Equity Reserves	Total
<b>As at 1 January</b>	<b>119.450</b>	<b>(16.824)</b>	<b>9.320</b>	<b>374</b>	<b>112.320</b>
Value increase/decrease of available for sale investments recognized directly under equity	(180.118)	(41.295)	-	-	(221.413)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	8.756	-	-	-	8.756
Tax effect of gains on available for sale investments	34.561	-	-	-	34.561
Other	-	22.125	22.028	(317)	43.836
<b>As at 31 December</b>	<b>(17.351)</b>	<b>(35.994)</b>	<b>31.348</b>	<b>57</b>	<b>(21.940)</b>

<sup>(1)</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 10.153 in the tax purpose financial statements amounting to TL 7.616 is exempt from corporate income tax and for the five years following 2013, 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 Assets Revaluation Differences" accounts. According to the article KVK 5-(1)/e, the gain on subsidiary and sale of building amounting to TL 16.000 belong to capital reserves is added to share capital. The Bank changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16). As a result of the valuation commissioned appraisal firms authorized by CMB and BRSA, revaluation differences amount of TL 30.412 is accounted under the equity.

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
<b>As at 1 January</b>	<b>6.357</b>	<b>(11.030)</b>	<b>8.920</b>	<b>374</b>	<b>4.621</b>
Value increase/decrease of available for sale investments recognized directly under equity	141.299	(5.794)	-	-	135.505
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(136)	-	-	-	(136)
Tax effect of gains on available for sale investments	(28.070)	-	-	-	(28.070)
Other <sup>(1)</sup>	-	-	400	-	400
<b>As at 31 December</b>	<b>119.450</b>	<b>(16.824)</b>	<b>9.320</b>	<b>374</b>	<b>112.320</b>

<sup>(1)</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 533 in the tax purpose financial statements amounting to TL 400 is exempt from corporate income tax and for the five years following 2013, 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 Assets Revaluation Differences" accounts.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	110.589	53.655
Commitments for Use Guaranteed Credit Allocation	-	59.930
Commitments for Stock Brokerage Purchase and Sales	6.049	1.316
Commitments for Letter of Credit	19.275	15.275
Commitments from Forward Short Term Borrowing and Transfers	103.409	19.674
Commitments for option forward premiums	-	-
Other	157.739	3.063
<b>Total</b>	<b>397.061</b>	<b>152.913</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, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credit, surety and acceptances amount to TL 566.890 (31 December 2014: TL 496.097).

##### 1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee given by the Bank is TL 1.196.749 (31 December 2014: TL 956.972).

##### 1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	731.304	-
With maturity of one year or less than one year	49.945	-
With maturity of more than one year	681.359	-
Other non-cash loans	1.051.362	1.453.069
<b>Total</b>	<b>1.782.666</b>	<b>1.453.069</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations related to the off-balance sheet items (continued)

##### 1. Information on off-balance sheet liabilities (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	262.416	67	1.282.324	92	297.794	69	934.007	91
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	5.719	1	469.543	34	4.454	1	460.405	45
Electricity, Gas, Water	256.697	66	812.781	58	293.340	68	473.602	46
Construction	9.800	3	-	-	15.800	4	-	-
Services	118.585	30	109.541	8	118.253	27	87.215	9
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	117.733	30	108.787	8	117.733	27	86.617	9
Real Asset and Leasing Services	852	-	754	-	520	-	598	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>390.801</b>	<b>100</b>	<b>1.391.865</b>	<b>100</b>	<b>431.847</b>	<b>100</b>	<b>1.021.222</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	387.563	1.391.865	427.792	1.020.592	3.238	-	4.055	630
Letters of Guarantee	387.563	805.948	427.792	525.125	3.238	-	4.055	-
Bank Acceptances	-	19.027	-	-	-	-	-	-
Letters of Credit	-	566.890	-	495.467	-	-	-	630
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

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### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations related to the off-balance sheet items (continued)

##### 2. Information related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	8.043.151	4.129.218
Forward transactions	407.088	49.097
Swap transactions	5.159.665	2.593.190
Futures transactions	-	-
Option transactions	2.476.398	1.486.931
Interest related derivative transactions (II)	7.188.880	5.172.960
Interest rate swap transactions	-	5.172.960
Interest option transactions	7.188.880	-
Futures interest transactions	-	-
Other trading derivative transactions (III)	89.210	74.677
A. Total trading derivative transactions (I+II+III)	15.321.241	9.376.855
Types of hedging transactions	4.689.900	-
Fair value hedges	4.689.900	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>20.011.141</b>	<b>9.376.855</b>

As of 31 December 2015, 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	Fair Value Hedge
<b>Current Period</b>											
TL	23.898	23.946	644.427	910.250	526.886	526.886	-	-	-	-	-
US Dollar	123.284	77.278	3.332.782	3.516.676	508.486	508.485	-	-	-	-	4.689.900
Euro	57.272	101.410	2.005.996	1.603.982	202.827	202.828	-	-	-	-	-
Other	-	-	211.823	211.819	-	-	-	-	-	-	-
<b>Total</b>	<b>204.454</b>	<b>202.634</b>	<b>6.195.028</b>	<b>6.242.727</b>	<b>1.238.199</b>	<b>1.238.199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.689.900</b>
<b>Prior Period</b>											
TL	18.765	1.635	224.227	325.059	343.260	340.809	-	-	-	-	18.765
US Dollar	2.130	19.416	2.323.839	2.650.279	266.378	266.725	-	-	-	-	2.130
Euro	3.650	3.501	1.304.933	809.817	134.880	134.879	-	-	-	-	3.650
Other	-	-	63.998	138.675	-	-	-	-	-	-	-
<b>Total</b>	<b>24.545</b>	<b>24.552</b>	<b>3.916.997</b>	<b>3.923.830</b>	<b>744.518</b>	<b>742.413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24.545</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations related to the off-balance sheet items (continued)

##### 2. Information related to derivative financial instruments (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	53.283	(75.438)	5.159.665	36.054	(31.421)	2.593.190
Interest Rate Swap Transactions	38.728	(22.260)	7.188.880	14.619	(12.139)	5.172.960
Forward Transactions	3.375	(2.101)	407.088	102	(336)	49.097
Futures Transactions	-	-	-	-	-	-
Option Transactions	73.596	(73.632)	2.476.398	21.156	(20.935)	1.486.931
Other	-	-	89.210	-	-	74.677
<b>Total</b>	<b>168.982</b>	<b>(173.431)</b>	<b>15.321.241</b>	<b>71.931</b>	<b>(64.831)</b>	<b>9.376.855</b>

#### Fair value hedge

For the year ended 31 December 2015, the Bank has interest rate swaps for hedging purposes nominal amount of TL 4.689.900 (31 December 2014: None)

#### Hedging from the cash-flow risk

As of 31 December 2015 there is no cash-flow hedging transactions (31 December 2014: None).

#### 3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2014: None).

#### 4. Explanations on contingent liabilities and assets

There are 32 legal cases against the Bank which are amounting TL 1.071 as of the reporting date (31 December 2014: TL 1.067 - 25 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the 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 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 should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stamp duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Bank relying on this report.

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, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir.

Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Bank against the decision of the Court with respect to the Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Bank are accrued by administration depending on legal process and as of 31 July 2014 the Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court (AYM) in the form of individual remedies by the main shareholder of the Bank in relation to the Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Bank was contrary to the principle of legality and the Bank's property rights has been violated. This decision is considered to be a precedent for the Bank and an amount of TL 12.750 corresponding to the portion that the Bank was obliged to pay for the related period is recognised as income in the current period.

#### 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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### 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>(7)</sup>				
Short term loans	25.484	3.229	26.852	21.049
Medium and long term loans	133.653	498.839	118.076	334.068
Interest on non-performing loans	421	123	2.082	1.201
Premiums received from Resource Utilization				
Support Fund	-	-	-	-
<b>Total</b>	<b>159.558</b>	<b>502.191</b>	<b>147.010</b>	<b>356.318</b>

<sup>(7)</sup> 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 <sup>(7)</sup>	1.235	-	53	-
Domestic banks	2.645	380	779	39
Foreign banks	225	209	278	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>4.105</b>	<b>589</b>	<b>1.110</b>	<b>39</b>

<sup>(7)</sup> Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

##### 1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1.664	35	342	19
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	239.322	47.602	258.746	23.361
Investments Held to Maturity	25.854	3.001	-	-
<b>Total</b>	<b>266.840</b>	<b>50.638</b>	<b>259.088</b>	<b>23.380</b>

##### 1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	12.380	11.116

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 2. Information on interest expenses

##### 2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.836	18.411	948	8.031
The Central Bank of Turkey	-	-	-	-
Domestic banks	3.449	1.158	819	722
Foreign banks	4.387	17.253	129	7.309
Branches and head office abroad	-	-	-	-
Other financial institutions	-	147.905	-	99.982
<b>Total <sup>(1)</sup></b>	<b>7.836</b>	<b>166.316</b>	<b>948</b>	<b>108.013</b>

<sup>(1)</sup> 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 2014: None)

##### 2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued <sup>(1)</sup>	-	92.869	-	8.025

<sup>(1)</sup> Commissions given to issuance have been included to interest expense on funds borrowed.

##### 3. Information on dividend income

	Current period	Prior period
Financial Assets held for Trading	-	-
Financial Assets at Fair Value Through Profit and Loss	8.181	-
Financial Assets Available For Sale	25.423	3.000
Other	-	21.568
<b>Total</b>	<b>33.604</b>	<b>24.568</b>

##### 4. Information on net trading income (net)

	Current Period	Prior Period
Profit	1.307.961	523.582
Gains on capital market operations	11.811	2.279
Gains on derivative financial instruments <sup>(1)</sup>	699.343	197.334
Foreign exchange gains	596.807	323.969
<b>Losses (-)</b>	<b>(1.309.944)</b>	<b>(508.957)</b>
Losses on capital market operations	(8.160)	(3.884)
Losses on derivative financial instruments <sup>(1)</sup>	(806.101)	(264.151)
Foreign exchange losses	(495.683)	(240.922)

<sup>(1)</sup> Foreign exchange gain from derivative transactions amounting to TL 305.308 is presented in "Profit on derivative financial instruments" (31 December 2014: TL 112.859), foreign exchange loss from derivative transactions amounting to TL (474.921) is presented in "Losses on derivative financial instruments" (31 December 2014: TL (191.327)).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	23.913	25.782
Gains on Sale of Assets	77	11.094
From Associate and Subsidiary Sales <sup>(*)</sup>	-	9.922
From Immovable Fixed Asset Sales	76	543
From Property Sales	1	629
From Other Asset Sales	-	-
Other <sup>(**)</sup>	17.839	2.594
<b>Total</b>	<b>41.829</b>	<b>39.470</b>

<sup>(\*)</sup> As of 31 January 2014, the Bank has sold all Takasbank-Istanbul Takas ve Saklama Bankası A.Ş. shares representing 5% of its shares, which was held in available for sale portfolio, with nominal amount of TL 21.000 and with a cost of TL 23.468 to Borsa Istanbul A.Ş. at a price of TL 33.390 and the sale amount was collected within the same day.

<sup>(\*\*)</sup> Includes income accrual in the amounting TL 12.750 in accordance with the subjects mentioned in Section Five in disclosure No:III-4 in the current period.

##### 6. Provision expenses related to loans and other receivables of the Bank

	Current Period	Prior Period
Specific provisions for loans and other receivables	43.975	4.455
III. Group	20	4.366
IV. Group	-	-
V. Group	43.955	89
General provision expenses	25.135	20.863
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	8.790	1.501
Trading securities	-	-
Investment securities available for sale	8.790	1.501
Impairment provisions	22.125	291
Associates	-	291
Subsidiaries	22.125	-
Entities under common control (joint vent. )	-	-
Investment securities held to maturity	-	-
Other <sup>(*)</sup>	-	33.000
<b>Total</b>	<b>100.025</b>	<b>60.110</b>

<sup>(\*)</sup> Other provision contains amounting to TL 33.000 in the prior period allocated for the risks related to the loan portfolio.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	63.316	55.990
Reserve for employee termination benefits	751	232
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	2.026	1.056
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	307	298
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	21	29
Depreciation expenses of assets for resale	13	19
Impairment expenses of assets held for sale	-	-
Other operating expenses	20.243	17.393
Rent expenses	8.134	7.390
Maintenance expenses	1.219	509
Advertisement expenses	575	355
Other expenses	10.315	9.139
Loss on sale of assets	52	563
Other	14.730	38.691
<b>Total</b>	<b>101.459</b>	<b>114.271</b>

##### 8. Information on net profit from continued and discontinued operations before tax:

As of 31 December 2015, the Bank's profit before tax has increased by 10,13% compared to the prior period (31 December 2014: 15,16% increase). Net interest income of the Bank has increased by 14,43% compared to the prior period (31 December 2014: 12,32% 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 Bank's current tax charge for the period is TL 76.641 (31 December 2014: TL 120.210). Deferred tax charge is TL 24.969 (31 December 2014: TL 27.806 deferred tax income).

###### 9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax charge calculated on temporary differences is TL 24.969 (31 December 2014: TL 27.806 deferred tax income).

###### 9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:

As of 31 December 2015, the deferred tax charge was calculated based on temporary timing differences, is TL 24.969 (31 December 2014: TL 27.806 deferred tax income). There is no deferred tax benefit or charge reflected in the income statement on carry forward tax losses, tax deductions and exceptions (31 December 2014: None).

In addition, TL 34.561 deferred tax income, 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 (31 December 2014: TL 30.253 deferred tax expense) and TL 1.601 deferred tax change is calculated over revaluation differences of tangible assets.

##### 10. Information on net profit from continued and discontinued operations:

As of 31 December 2015, the current net profit of the Bank has increased by 10,17% compared to the prior net profit (31 December 2014: 13,25%).



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the income statement (continued)

##### 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 1.079.798 of interest income, TL 454.727 of interest expenses and TL 11.418 of net fee and commission income from banking operations (31 December 2014: TL 801.367 interest income, TL 255.135 interest expense, TL 11.164 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 2014: 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 2015, 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	880.723	50,33	880.723	-
T. Vakıflar Bankası T.A.O.	146.606	8,38	146.606	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	722.671	41,29	722.671	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>
Prior Period				
Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	750.002	50,00	750.002	-
T. Vakıflar Bankası T.A.O.	125.662	8,38	125.662	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	624.336	41,62	624.336	-
<b>Total</b>	<b>1.500.000</b>	<b>100,00</b>	<b>1.500.000</b>	<b>-</b>

<sup>(\*)</sup> T. İş Bankası A.Ş. Group share is calculated by considering T. İş Bankası A.Ş.'s purchase in december from circulated shares that takes part in Istanbul Stock Exchange.

In the meeting of the General Assembly held on 26 March 2015, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

In the meeting of the General Assembly held on 27 March 2014, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.300.000 to TL 1.500.000 by TL 200.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2013. The increase in paid-in capital was approved by the BRSA on 16 April 2014 and , has been published in the Turkish Trade Registry Gazette No: 8573 on 21 May 2014.

##### 2. Information on the increase arising from the revaluation of securities available-for-sale

As of 31 December 2015, (21.659) value decrease is accounted for arising from the valuation of available for sale investments at fair value. TL (4.308) deferred tax is offset against value decrease related to these investments and as a result, TL (17.351) net value decrease is disclosed under the securities value decrease fund in the statement of changes in the unconsolidated equity.

In the prior period 149.703 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 30.253 deferred tax is offset against value increase related to these investments and as a result, TL 119.450 net value increase is disclosed under the securities value increase fund in the statement of changes in the consolidated equity.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### V. Explanations related to statement of changes in shareholders' equity (continued)

##### 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

As of 31 December 2015, increasing amount of TL 2.427 arising from the revaluation of securities available for sale is disclosed under the exchange differences in the statement of changes in the unconsolidated equity. (31 December 2014: None)

##### 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 19.305 was transferred to the legal reserves (31 December 2014: TL 17.061).

##### 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 amounting to TL 123.966, consists of gain on sale of assets and non-interest income (31 December 2014: TL 19.538 gain on sale of assets, capital market transaction income and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL 414.412 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses and fees and commissions paid. (31 December 2014: TL 134.555 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses and fees and commissions paid).

In the current period, net increase/decrease item in other assets amounting to TL (492.869) (31 December 2014: TL (191.931)), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL 27.424 (31 December 2014: TL 622.451), consists of change in 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 amounting to TL 43.025 (31 December 2014: TL 5.105).

##### 2. Information about cash flows from acquisition of associates, subsidiaries, and other investments

In the current period, the Bank invested TL 19.687 in tangible fixed assets and properties and invested TL 303 in intangible fixed assets.

In the prior period, the Bank invested TL 6.689 in tangible fixed assets and properties and invested TL 343 in intangible fixed assets. There is TL 200 investment in associates and subsidiaries.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### VI. Explanations related to statement of cash flows (continued)

##### 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 Bank has generated a cash inflow of TL 11.477 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 cash inflows of TL 2.935 on sale of movable fixed assets and properties. The Bank has sold amounting to TL 233 associates and subsidiaries in the current period.

##### 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	8	36
Cash Equivalents	261.094	85.525
<b>Total</b>	<b>261.102</b>	<b>85.561</b>

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	12	8
Cash Equivalents	1.652.266	261.094
<b>Total</b>	<b>1.652.278</b>	<b>261.102</b>

##### 5. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 767.239 (31 December 2014: TL 473.168) in Turkish Republic Central Bank represent Turkish Lira, foreign currency and gold reserve requirements of the Bank.

##### 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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 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	305.972	264	72.954	117.412	79.003	-
Balance at End of Period	451.705	322	53.167	117.412	91.272	-
Interest and Commission Income	12.375	5	1.582	294	4.208	-

###### 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	261.703	262	112.840	117.413	91.627	-
Balance at End of Period	305.972	264	72.954	117.412	79.003	-
Interest and Commission Income	11.110	6	2.140	294	4.199	-

###### 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 foreign currency swaps buy amounting to TL 58.129, foreign currency swaps sell amounting to TL 58.527 made with Bank's own risk group (31 December 2014 : foreign currency swaps buy TL 47.621, foreign currency swaps sell TL 49.393). As of 31 December 2015, gain or loss from these transactions is TL (300) and this amount is associated with income statement (31 December 2014: TL (1.255)).

##### 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 8.202 (31 December 2014: TL 7.148).

#### 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 of Employees		Country of Incorporation	Total Asset	Capital
	Domestic branches	Foreign Rep-offices			
	2	332			
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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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
Privileged Unsecured Debt Rating Note	BBB-

International credit rating agency Fitch Ratings confirmed the Bank's ratings and "stable" prospectus without changing as of 15 October 2015 and determined Bank's "Privileged Unsecured Debt Notes" as BBB- for the Eurobonds maturity with 30 October 2019 and 22 April 2020.

##### MOODY'S

Reference Financial Rating Note	Ba2
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Negative
Short-term Maturity	P-3
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Negative
Short-term Maturity	P-3
<b>Unsecured Debt-Foreign Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note:	(P) Baa3

Information above represents updated information as of 23 October 2015.

International credit rating agency Moody's, assigned "Unsecured Debt - Foreign Currency" rating note for the Bank issuing Eurobonds maturity with 30 October 2019 and 22 April 2020 and this note has been appointed as Baa3.

##### 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, updated the Bank's corporate governance rating of 95,19% (9,52 over 10) as of 20 October 2015. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,49 (Weight: 25%), 9,65 (Weight: 25%), 9,85 (Weight: 15%), 9,31 (Weight: 35%) over 10 respectively.

##### II. Other explanations related to the events after the reporting date

None.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION SEVEN AUDITORS' REPORT

##### I. Explanations on the auditors' report

The unconsolidated financial statements as of and for the year ended 31 December 2015 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and auditors' report dated 28 January 2016 is presented in the introduction of this report.

##### II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Bank's operations.



# **TÜRKİYE SİNAİ KALKINMA BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015  
(CONVENIENCE TRANSLATION OF CONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES  
ORIGINALLY ISSUED IN TURKISH)  
WITH INDEPENDENT AUDITORS' REPORT THEREON

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi  
28 January 2016

*This report contains "Auditors' Report" comprising 1 page and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 112 pages.*







Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.  
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Fax +90 (216) 681 90 90  
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**Convenience Translation of the Auditors' Report  
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)**

To the Board of Directors of Türkiye Sınai Kalkınma Bankası Anonim Şirketi;  
Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Türkiye Sınai Kalkınma Bankası Anonim Şirketi ("the Bank") and its consolidated financial subsidiaries (together refer to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's 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 Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Sınai Kalkınma Bankası AŞ and its consolidated financial subsidiaries as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

**Report on Other Legal and Regulatory Requirements**

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TTK and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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



Erdal Tıkmak  
Partner, SMMM  
28 January 2016  
İstanbul, Turkey

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

The accounting principles summarized in note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

# THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2015

Telephone and Fax: (212) 334 50 50, (212) 334 52 34  
Web Site: <http://www.tskb.com.tr>  
E-mail Address for communication: SERTT@tskb.com.tr

The consolidated financial report designed for the year ended 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	Associates
Yatırım Finansman Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
	İş Faktoring A.Ş.

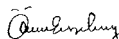
The accompanying consolidated financial statements and the explanatory footnotes and disclosures for year end, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TL"), in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiques and the Banks' records, and have been independently audited and presented as attached.  
28 January 2016



**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



**Tolga SERT**  
Head of  
Financial Control  
Department



**Kemal Serdar DİŞLİ**  
Member of Audit  
Committee



**Uygur Şafak ÖĞÜN**  
Member of Audit  
Committee

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

Name-Surname/Title: Tolga Sert / Head of Financial Control Department  
Telephone Number: (212) 334 51 92  
E-mail Address: [sertt@tskb.com.tr](mailto:sertt@tskb.com.tr)

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# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION ONE

##### GENERAL INFORMATION

##### I. The Parent Bank's incorporation date, beginning status, changes in the existing status

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 status 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				
Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group <sup>(*)</sup>	880.723	50,33	880.723	-
T. Vakıflar Bankası T.A.O.	146.606	8,38	146.606	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	722.671	41,29	722.671	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>
Prior Period				
Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	750.002	50,00	750.002	-
T. Vakıflar Bankası T.A.O.	125.662	8,38	125.662	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	624.336	41,62	624.336	-
<b>Total</b>	<b>1.500.000</b>	<b>100,00</b>	<b>1.500.000</b>	<b>-</b>

<sup>(\*)</sup> T. İş Bankası A.Ş. Group share is calculated by considering T. İş Bankası A.Ş.'s purchases in free floating of BIST in December 2015 of Bank shares.

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,33% of the shares belongs to İş Bank Group and 39,3% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 and responsibilities in the Parent Bank

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

Name Surname <sup>(6)</sup>	Title <sup>(1)</sup>
Adnan Bali	Chairman of the Board of Directors
Kemal Serdar Dışlı	Vice Chairman of the Board of Directors and Member of the Audit Committee
Halil Aydoğan	Member of the Board of Directors
Murat Bilgiç	Member of the Board of Directors
Yavuz Canevi <sup>(2)</sup>	Member of the Board of Directors
Zeynep Hansu Uçar <sup>(4)</sup>	Member of the Board of Directors
Uygar Şafak Ögün	Member of the Board of Directors and Audit Committee
Ebru Özşuca	Member of the Board of Directors
Özcan Türkakın	Member of the Board of Directors and General Manager
Kamil Yılmaz	Member of the Board of Directors

##### General Manager and Vice Presidents

Name Surname <sup>(5)</sup>	Title / Area of Responsibility
Özcan Türkakın	General Manager
Burak Akgüç	Vice President – Corporate Marketing and Project Finance
Ömer Eryılmaz	Vice President – Financial Control, Budget Planning and Investor Relations and Corporate Compliance
Çiğdem İçel	Vice President – Financial Institutions, Treasury and Development Finance Institutions
Ufuk Bala Yücel	Vice President – Loans
B. Gökhan Çanakpınar	Vice President – Information Technology and Operation
Ece Börü	Vice President – Enterprise Architecture and Human Resources
Hakan Aygen	Vice President – Corporate Finance and Economic Research
Aziz Ferit Eraslan <sup>(3)</sup>	Vice President – Internal Systems

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

<sup>(2)</sup> Yavuz Canevi was elected to Board Member pursuant to General Assembly held on 26 March 2015, due to the resignation of Durmuş Yılmaz in accordance with the Board of Directors resolution on 26 March 2015. 9 April 2015 is oath date in order to start vacant position of Yavuz Canevi.

<sup>(3)</sup> In the Board of Directors meeting held on 30 September 2015, Aziz Ferit Eraslan was appointed to Vice President of Internal Systems as of 01 October 2015. Aziz Ferit Eraslan has started his duty on 15 October 2015 after completion of the legal procedures stated in Banking Law.

<sup>(4)</sup> Zeynep Hansu Uçar was elected as Board Member due to the resignation of Ertan Burhanettin Kantar in accordance with the Board of Directors resolution dated 27 November 2015. 2 December 2015 was oath date in order to start vacant position of Zeynep Hansu Uçar.

<sup>(5)</sup> A. Orhan Beşkök has retired on 31 October 2015 from the duty of Senior Vice President of Technical Services and Financial Institutions as mentioned in the Board of Directors resolution dated 30 October 2015.

<sup>(6)</sup> According to Board of Directors meeting held on 30 December 2015, Burhanettin Aktaş, the member of Board of Director, has resigned on 21 December 2015.

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 the independent auditor for the year 2015 in the General Assembly Meeting held on 26 March 2015.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

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

Explanation about the people and institutions that have qualified shares control the Parent Bank's capital directly or indirectly are described in General Information Section II.

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

Türkiye Sınai Kalkınma Bankası A.Ş. is the first private development and investment 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 financing 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., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., Adana Hotel Project are Anavarza Otelcilik Anonim Şirketi 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.

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.

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

Yatırım Finansman Menkul Değerler A.Ş. ("YFAŞ") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION ONE (Continued)

#### GENERAL INFORMATION (Continued)

**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 (continued)**

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 59,00%. The company's headquarters is located at Istanbul/Turkey.

##### **İş Finansal Kiralama A.Ş. :**

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 28,56% and the share of Türkiye İş Bankası A.Ş. is 27,79%. The Company's headquarters is located at Istanbul/Turkey.

##### **İş Faktoring A.Ş. :**

İş Faktoring A.Ş. ("İş Faktoring"), 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 share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67% in which the share of İş Yatırım Menkul Değerler A.Ş. is 29,01%. The Company's headquarters is located at Istanbul/Turkey.

#### **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 2014. 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 Parent Bank's corporate website.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(1)</b>	<b>40.447</b>	<b>770.676</b>	<b>811.123</b>	<b>31.642</b>	<b>476.152</b>	<b>507.794</b>
<b>II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)</b>	<b>(2)</b>	<b>49.785</b>	<b>159.786</b>	<b>209.571</b>	<b>38.926</b>	<b>56.491</b>	<b>95.417</b>
2.1 Trading financial assets		49.785	159.786	209.571	38.926	56.491	95.417
2.1.1 Public sector debt securities		30.777	-	30.777	7.887	-	7.887
2.1.2 Share certificates		2	-	2	2.388	-	2.388
2.1.3 Derivative financial assets held for trading		10.008	159.786	169.794	18.383	56.491	74.874
2.1.4 Other marketable securities		8.998	-	8.998	10.268	-	10.268
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>	<b>(3)</b>	<b>72.617</b>	<b>678.928</b>	<b>751.545</b>	<b>208.217</b>	<b>295.764</b>	<b>503.981</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>1.080.724</b>	<b>-</b>	<b>1.080.724</b>	<b>105.206</b>	<b>-</b>	<b>105.206</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		1.080.274	-	1.080.274	104.913	-	104.913
4.3 Receivables from reverse repurchase agreements		450	-	450	293	-	293
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(4)</b>	<b>2.124.343</b>	<b>847.819</b>	<b>2.972.162</b>	<b>2.958.629</b>	<b>558.988</b>	<b>3.517.617</b>
5.1 Share certificates		28.094	10.120	38.214	29.528	6.240	35.768
5.2 Public sector debt securities		1.793.224	831.327	2.624.551	2.491.044	530.019	3.021.063
5.3 Other marketable securities		303.025	6.372	309.397	438.057	22.729	460.786
<b>VI. LOANS AND RECEIVABLES</b>	<b>(5)</b>	<b>2.371.872</b>	<b>11.261.257</b>	<b>13.633.129</b>	<b>2.411.541</b>	<b>8.455.448</b>	<b>10.866.989</b>
6.1 Loans and receivables		2.371.872	11.261.257	13.633.129	2.411.541	8.455.448	10.866.989
6.1.1 Loans to risk group of the Bank		276.808	207.989	484.797	145.148	126.710	271.858
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.095.064	11.053.268	13.148.332	2.266.393	8.328.738	10.595.131
6.2 Non performing loans		59.328	1.689	61.017	16.395	2.043	18.438
6.3 Specific provisions (-)		(59.328)	(1.689)	(61.017)	(16.395)	(2.043)	(18.438)
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(6)</b>	<b>715.194</b>	<b>157.408</b>	<b>872.602</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1 Public sector debt securities		715.194	157.408	872.602	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(7)</b>	<b>293.543</b>	<b>-</b>	<b>293.543</b>	<b>263.300</b>	<b>-</b>	<b>263.300</b>
9.1 Accounted for under equity method		291.988	-	291.988	261.745	-	261.745
9.2 Unconsolidated associates		1.555	-	1.555	1.555	-	1.555
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.555	-	1.555	1.555	-	1.555
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(8)</b>	<b>609</b>	<b>-</b>	<b>609</b>	<b>609</b>	<b>-</b>	<b>609</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		609	-	609	609	-	609
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	<b>(9)</b>	<b>1.760</b>	<b>-</b>	<b>1.760</b>	<b>10</b>	<b>-</b>	<b>10</b>
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		1.760	-	1.760	10	-	10
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		1.760	-	1.760	10	-	10
<b>XII. LEASE RECEIVABLES (Net)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Finance lease receivables		-	98	98	-	87	87
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(98)	(98)	-	(87)	(87)
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(11)</b>	<b>-</b>	<b>4.093</b>	<b>4.093</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedge		-	4.093	4.093	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>(12)</b>	<b>207.027</b>	<b>-</b>	<b>207.027</b>	<b>26.454</b>	<b>-</b>	<b>26.454</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>2.056</b>	<b>-</b>	<b>2.056</b>	<b>2.173</b>	<b>-</b>	<b>2.173</b>
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		1.051	-	1.051	1.168	-	1.168
<b>XVI. INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>241.293</b>	<b>-</b>	<b>241.293</b>	<b>224.090</b>	<b>-</b>	<b>224.090</b>
<b>XVII. TAX ASSET</b>	<b>(15)</b>	<b>29.624</b>	<b>-</b>	<b>29.624</b>	<b>21.253</b>	<b>-</b>	<b>21.253</b>
17.1 Current tax asset		1.825	-	1.825	2.320	-	2.320
17.2 Deferred tax asset		27.799	-	27.799	18.933	-	18.933
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>(17)</b>	<b>74.491</b>	<b>181.228</b>	<b>255.719</b>	<b>43.743</b>	<b>47.065</b>	<b>90.808</b>
<b>TOTAL ASSETS</b>		<b>7.305.385</b>	<b>14.061.195</b>	<b>21.366.580</b>	<b>6.335.793</b>	<b>9.889.908</b>	<b>16.225.701</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014			
	LIABILITIES	Note Ref	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
1.1	Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	44.452	130.498	174.950	4.116	59.460	63.576
III.	FUNDS BORROWED	(3)	255.612	13.186.219	13.441.831	227.919	9.923.663	10.151.582
IV.	MONEY MARKET BALANCES		2.305.992	44.548	2.350.540	2.032.878	239.835	2.272.713
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		182.505	-	182.505	110.219	-	110.219
4.3	Funds provided under repurchase agreements		2.123.487	44.548	2.168.035	1.922.659	239.835	2.162.494
V.	DEBT SECURITIES ISSUED (Net)	(3)	-	2.037.571	2.037.571	-	813.824	813.824
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	2.037.571	2.037.571	-	813.824	813.824
VI.	FUNDS		1.690	28.987	30.677	623	38.458	39.081
6.1	Borrower funds		1.690	28.987	30.677	623	38.458	39.081
6.2	Others		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		98.571	30.727	129.298	76.155	20.436	96.591
VIII.	OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	(5)	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	5.799	5.799	-	-	-
11.1	Fair value hedge		-	5.799	5.799	-	-	-
11.2	Cash flow hedge		-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	(7)	217.860	-	217.860	210.296	-	210.296
12.1	General loan loss provisions		144.043	-	144.043	117.760	-	117.760
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		10.768	-	10.768	9.475	-	9.475
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		63.049	-	63.049	83.061	-	83.061
XIII.	TAX LIABILITY	(8)	48.426	-	48.426	37.722	-	37.722
13.1	Current tax liability		48.426	-	48.426	37.722	-	37.722
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	145.836	145.836	-	116.065	116.065
XVI.	SHAREHOLDERS' EQUITY		2.772.504	11.288	2.783.792	2.373.339	50.912	2.424.251
16.1	Paid-in capital	(11)	1.750.000	-	1.750.000	1.500.000	-	1.500.000
16.2	Capital reserves		136.034	11.288	147.322	73.188	50.912	124.100
16.2.1	Share premium		428	-	428	413	-	413
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	(11)	(39.043)	11.288	(27.755)	63.081	50.912	113.993
16.2.4	Tangible assets revaluation differences	(11)	174.619	-	174.619	9.320	-	9.320
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		30	-	30	374	-	374
16.3	Profit reserves		362.902	-	362.902	315.408	-	315.408
16.3.1	Legal reserves	(11)	195.072	-	195.072	175.765	-	175.765
16.3.2	Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3	Extraordinary reserves	(11)	89.478	-	89.478	61.244	-	61.244
16.3.4	Other profit reserves		2.711	-	2.711	2.758	-	2.758
16.4	Profit or loss		458.078	-	458.078	417.290	-	417.290
16.4.1	Prior years' profit/loss		50.847	-	50.847	43.882	-	43.882
16.4.2	Current year profit/loss		407.231	-	407.231	373.408	-	373.408
16.5	Non-controlling interests	(12)	65.490	-	65.490	67.453	-	67.453
TOTAL LIABILITIES AND EQUITY			5.745.107	15.621.473	21.366.580	4.963.048	11.262.653	16.225.701

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

### AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
	Note Ref	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>		<b>4,606.892</b>	<b>22,448.542</b>	<b>27,055.434</b>	<b>2,855.792</b>	<b>11,505.338</b>	<b>14,361.130</b>
<b>I. GUARANTEES AND COLLATERALS</b>	<b>(1)</b>	<b>390.799</b>	<b>1,391.865</b>	<b>1,782.664</b>	<b>431.847</b>	<b>1,021.222</b>	<b>1,453.069</b>
1.1 Letters of guarantee		390.799	805.948	1,196.747	431.847	525.125	956.972
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		390.799	805.948	1,196.747	431.847	525.125	956.972
1.2 Bank acceptances		-	19.027	19.027	-	-	-
1.2.1 Import letters of acceptance		-	19.027	19.027	-	-	-
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	566.890	566.890	-	496.097	496.097
1.3.1 Documentary letters of credit		-	566.890	566.890	-	496.097	496.097
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		-	-	-	-	-	-
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>1,442.326</b>	<b>3,583.979</b>	<b>5,026.305</b>	<b>1,076.692</b>	<b>2,270.106</b>	<b>3,346.798</b>
2.1 Irrevocable commitments		1,009.744	303.817	1,313.561	698.902	138.260	837.162
2.1.1 Forward asset purchase and sales commitments		55.547	55.042	110.589	12.879	40.776	53.655
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		-	-	-	-	-	-
2.1.5 Securities underwriting commitments		-	-	-	-	59.930	59.930
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		954.197	248.775	1,202.972	686.023	37.554	723.577
2.2 Revocable commitments		432.582	3,280.162	3,712.744	377.790	2,131.846	2,509.636
2.2.1 Revocable loan granting commitments		432.582	3,280.162	3,712.744	377.790	2,131.846	2,509.636
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>2,773.767</b>	<b>17,472.698</b>	<b>20,246.465</b>	<b>1,347.253</b>	<b>8,214.010</b>	<b>9,561.263</b>
3.1 Derivative financial instruments for hedging purposes		-	4,689.900	4,689.900	-	-	-
3.1.1 Fair value hedge		-	4,689.900	4,689.900	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		2,773.767	12,782.798	15,556.565	1,347.253	8,214.010	9,561.263
3.2.1 Forward foreign currency buy/sell transactions		47.844	359.244	407.088	20.732	29.014	49.746
3.2.1.1 Forward foreign currency transactions-buy		23.898	180.556	204.454	19.252	5.632	24.884
3.2.1.2 Forward foreign currency transactions-sell		23.946	178.688	202.634	1.480	23.382	24.862
3.2.2 Swap transactions related to f.c. and interest rates		1,672.001	10,911.718	12,583.719	642.452	7,307.457	7,949.909
3.2.2.1 Foreign currency swaps-buy		748.975	1,969.096	2,718.071	343.098	1,082.357	1,425.455
3.2.2.2 Foreign currency swaps-sell		878.170	1,798.598	2,676.768	251.978	1,099.516	1,351.494
3.2.2.3 Interest rate swaps-buy		22.428	3,572.012	3,594.440	23.688	2,562.792	2,586.480
3.2.2.4 Interest rate swaps-sell		22.428	3,572.012	3,594.440	23.688	2,562.792	2,586.480
3.2.3 Foreign currency, interest rate and securities options		1,053.922	1,422.626	2,476.548	684.069	802.862	1,486.931
3.2.3.1 Foreign currency options-buy		526.886	711.313	1,238.199	343.260	401.258	744.518
3.2.3.2 Foreign currency options-sell		526.886	711.313	1,238.199	340.809	401.604	742.413
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		150	-	150	-	-	-
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		-	89.210	89.210	-	74.677	74.677
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>34,498.158</b>	<b>145,401.774</b>	<b>179,899.932</b>	<b>29,303.512</b>	<b>106,015.645</b>	<b>135,319.157</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>3,650.448</b>	<b>114.984</b>	<b>3,765.432</b>	<b>5,160.097</b>	<b>280.091</b>	<b>5,440.188</b>
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		1,649.997	114.984	1,764.981	3,406.584	280.091	3,686.675
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		-	-	-	-	-	-
4.8 Custodians		2,000.451	-	2,000.451	1,753.513	-	1,753.513
<b>V. PLEDGED ITEMS</b>		<b>20,596.654</b>	<b>87,050.467</b>	<b>107,647.121</b>	<b>14,029.839</b>	<b>63,335.375</b>	<b>77,365.214</b>
5.1 Marketable securities		450.939	5,057.844	5,508.783	422.936	3,759.727	4,182.663
5.2 Guarantee notes		81.885	1,663.046	1,744.931	118.600	1,572.972	1,691.572
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		355.357	24,150.259	24,505.616	353.857	20,766.040	21,119.897
5.6 Other pledged items		19,708.473	56,179.318	75,887.791	13,134.446	37,236.636	50,371.082
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>10,251.056</b>	<b>58,236.323</b>	<b>68,487.379</b>	<b>10,113.576</b>	<b>42,400.179</b>	<b>52,513.755</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>39,105.050</b>	<b>167,850.316</b>	<b>206,955.366</b>	<b>32,159.304</b>	<b>117,520.983</b>	<b>149,680.287</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Dipnot	Audited Current Period 1 January 2015 – 31 December 2015	Audited Prior Period 1 January 2014 – 31 December 2014
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>1.098.725</b>	<b>819.918</b>
1.1 Interest on loans		669.151	505.160
1.2 Interest received from reserve deposits		1.235	53
1.3 Interest received from banks		13.614	16.219
1.4 Interest received from money market placements		95.693	14.320
1.5 Interest received from marketable securities portfolio		318.736	283.930
1.5.1 Financial assets held for trading		2.957	1.823
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		286.924	282.107
1.5.4 Investments held-to-maturity		28.855	-
1.6 Finance lease income		1	65
1.7 Other interest income		295	171
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>(500.183)</b>	<b>(291.295)</b>
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(194.642)	(122.986)
2.3 Interest on money market borrowings		(212.466)	(160.230)
2.4 Interest on securities issued		(92.869)	(8.025)
2.5 Other interest expense		(206)	(54)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>598.542</b>	<b>528.623</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>29.547</b>	<b>29.500</b>
4.1 Fees and commissions received		34.397	33.631
4.1.1 Non-cash loans		11.488	9.712
4.1.2 Other		22.909	23.919
4.2 Fees and commissions paid		(4.850)	(4.131)
4.2.1 Non-cash loans		(853)	(890)
4.2.2 Other		(3.997)	(3.241)
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>10.175</b>	<b>13.876</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>5.780</b>	<b>41.238</b>
6.1 Securities trading gains/ (losses)		3.567	(714)
6.2 Derivative financial instruments gains/losses		(122.013)	(46.889)
6.3 Foreign exchange gains/losses (net)		124.226	88.841
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>51.137</b>	<b>47.684</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>695.181</b>	<b>660.921</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(78.563)</b>	<b>(61.150)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(140.573)</b>	<b>(160.560)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>476.045</b>	<b>439.211</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT / (LOSS) ON EQUITY METHOD</b>		<b>35.280</b>	<b>27.136</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	<b>(8)</b>	<b>511.325</b>	<b>466.347</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(100.735)</b>	<b>(92.236)</b>
16.1 Provision for current income taxes		(76.641)	(120.210)
16.2 Provision for deferred taxes		(24.094)	27.974
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>410.590</b>	<b>374.111</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>	<b>(11)</b>	<b>410.590</b>	<b>374.111</b>
23.1			
23.2 Group's profit / loss		407.231	373.408
Minority shares		3.359	703
Earnings / losses per share		0,235	0,214

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

# TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Audited Current Period 1 January 2015 – 31 December 2015	Audited Prior Period 1 January 2014 – 31 December 2014
<b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(170.346)</b>	<b>141.158</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>175.285</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>-</b>	<b>-</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(5.554)</b>	<b>(3.810)</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>32.960</b>	<b>(27.937)</b>
<b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>32.345</b>	<b>109.411</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>410.590</b>	<b>374.111</b>
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	7.565	(136)
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	403.025	374.247
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>442.935</b>	<b>483.522</b>

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

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOW

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Notes	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>1.138.493</b>	<b>259.497</b>
1.1.1 Interest received		1.173.776	561.405
1.1.2 Interest paid		(448.911)	(270.591)
1.1.3 Dividends received		10.175	9.735
1.1.4 Fees and commissions received		34.397	33.631
1.1.5 Other income		181.901	70.254
1.1.6 Collections from previously written off loans		1.490	9.781
1.1.7 Payments to personnel and service suppliers		(104.085)	(95.450)
1.1.8 Taxes paid		(70.206)	(148.900)
1.1.9 Others	(1)	359.956	89.632
<b>1.2 Changes in operating assets and liabilities</b>		<b>(99.801)</b>	<b>(529.380)</b>
1.2.1 Net (increase) decrease in financial assets		(15.725)	(5.101)
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		(202)	-
1.2.4 Net (increase) decrease in loans		(1.330.150)	(1.843.473)
1.2.5 Net (increase) decrease in other assets		(618.243)	(186.532)
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		1.644.085	1.017.382
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	220.434	488.344
<b>I. Net cash provided by/(used in) banking operations</b>		<b>1.038.692</b>	<b>(269.883)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided by/(used in) investing activities</b>		<b>(709.923)</b>	<b>(330.391)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	(200)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	233
2.3 Fixed asset purchases		(34.218)	(21.122)
2.4 Fixed asset sales		11.533	6.138
2.5 Cash paid for purchase of financial assets available for sale		(1.550.264)	(1.460.772)
2.6 Cash obtained from sale of financial assets available for sale		859.363	1.145.838
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		5.832	-
2.9 Others	(1)	(2.169)	(506)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided by/(used in) financing activities</b>		<b>845.485</b>	<b>733.572</b>
3.1 Cash obtained from funds borrowed and securities issued		927.430	806.153
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(80.262)	(72.581)
3.5 Payments for finance leases		-	-
3.6 Other		(1.683)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>51.689</b>	<b>11.407</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>1.225.943</b>	<b>144.705</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>642.972</b>	<b>498.267</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>1.868.915</b>	<b>642.972</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## STATEMENT OF PROFIT DISTRIBUTION

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Audited Current Period 31 December 2015 <sup>(*)</sup>	Audited Prior Period 31 December 2014
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME <sup>(**)</sup></b>		
1.1 CURRENT YEAR INCOME	508.455	461.678
1.2 TAXES AND DUTIES PAYABLE	(101.610)	(92.404)
1.2.1 Corporate Tax (Income tax)	(76.641)	(120.210)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(24.969)	27.806
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>406.845</b>	<b>369.274</b>
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	18.464
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>406.845</b>	<b>350.810</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	102.968
1.6.1 To owners of ordinary shares	-	102.968
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 (-)	-	7.207
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.201
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	203.032
1.9.1 To owners of ordinary shares	-	203.032
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 (-)	-	841
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	27.945
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	7.616
<b>II. DISTRIBUTION OF RESERVES</b>	<b>-</b>	<b>-</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 <sup>(***)</sup></b>		
3.1 TO OWNERS OF ORDINARY SHARES	0,23	0,21
3.2 TO OWNERS OF ORDINARY SHARES (%)	23,25	21,10
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	-	0,20
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,40
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(\*)</sup> Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2015 yet, only profit available for distribution for the year 2015 is presented.

<sup>(\*\*)</sup> According to legislation, companies in Turkey do not make consolidated profit distribution. In this context, profit distribution is based on unconsolidated financial statements.

<sup>(\*\*\*)</sup> A nominal value of 1 Kurus figures a share in consolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kurus.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 Article 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 other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

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 paragraph, 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 financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and 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 fixed and floating 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 a flexibility of reflecting changes in the market interest rates to the 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 fixed rate Eurobond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognised under the statement of profit/loss. At the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Bank performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

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. While taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### II. Explanations on usage strategy of financial assets and foreign currency transactions (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 anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to hedge the risk exposure of changes cross currency parity.

Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources.

The hedging strategies for other foreign exchange risk exposures:

A stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific 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

Explanations about the Parent Bank and its subsidiaries and associates subject to consolidation are described in General Information Section VI.

##### 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, and option agreements.

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. The Derivatives instruments including both economic hedges and derivatives specified as hedging items are classified as either "trading purposes" or "hedging purposes" as per the Turkish Accounting Standart ("TAS 39") "Financial Instruments: Recognition and Measurement".

When a derivative financial instrument, the originally designed as a hedge by the Bank, the relationship between the Bank's financial risk from hedged item and the hedging instrument, the risk management objectives and strategy of hedging transaction and the methods that will be used in the measurement of effectiveness, describe in written. The bank, at the beginning of the aforementioned engagement and during the ongoing process, evaluates whether the hedging instruments are effective on changes in the fair values or actual results of hedging are within the range of 80% - 125%.

##### 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. The fees and commission income and expenses obtained from loans are recorded under income and expense accounts in the related period by discounting with effective interest method according to matching principle. The commissions income of non-cash loans are reflected in accounts by 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.

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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### VII. Explanations on financial assets (continued)

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 to 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.

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.

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 internal rate of return less impairment losses, if any. Interest income earned from held-to-maturity investments is recognized as interest income on income statement.

The Group considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the CPI indexed marketable securities. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.

Explanations on investments in associates and subsidiaries:

Investments in associates and subsidiaries are recognized within the scope of "TAS 27-Separate Financial Statements" and "TAS 28-Investments in Associates and Joint Ventures".

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 losses.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### VII. Explanations on financial assets (continued)

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 part of 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.

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 2015 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, the banks could apply general loan loss provision ratios of zero percent for cash and non-cash export loans which are followed as standard loans; and of five per mille and one per mille for cash and non-cash loans, respectively, for small and medium size enterprises. The Parent Bank has started to calculate general loan loss provision thereby using the ratios after publication 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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### 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 and government bonds issued by Republic of Turkey Undersecretariat of Treasury and government bonds. Marketable securities subject to repurchase agreements are classified under fair value profit or loss available for sale or held to maturity financial asset with parallel to classifications of financial instruments. 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.

##### 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 rather than real estate, 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.

As of the third quarter of the current year, the Group changed its accounting policy and adopted revaluation method for land and buildings under scope of TAS 16. The useful life of real estates are mentioned in expertise reports. In case of the cost of tangible assets are over the net realizable value of the assets, within the framework of "Impairment of Assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and the impairment is recognised in expense accounts. The positive difference between the net book value of real estate property and the expertise values which are determined by the independent expert companies are recognised under shareholders' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XIII. Explanations on tangible assets (continued)

Normal maintenance and repair expenditures are recognized as expense. 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	4-50	2-25
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.

##### The Group as Lesser

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 form, the Parent Bank discloses the issue mentioned in notes 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.

##### Information 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 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 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 months 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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XVI. Explanations on liabilities regarding employee benefits (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, SDİF, 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, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and there is no decision taken by the Cabinet with regards to issue date of financial statements.

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 2015 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2016. There is no need for technical or actual deficit to book provision as of 31 December 2015.

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. The income tax charge is composed of the sum of current tax and deferred tax.

#### 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. Deferred tax asset is not allocated over the amount of general provisions and provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

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.

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#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

##### XVII. Explanations on taxation (Continued)

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.

##### XVIII. Additional explanations on borrowings

The Parent Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed.

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 meeting of the General Assembly held on 26 March 2015, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

In the meeting of the General Assembly held on 27 March 2014, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.300.000 to TL 1.500.000 by TL 200.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2013. The increase in paid-in capital was approved by the BRSA on 16 April 2014 and , has been published in the Turkish Trade Registry Gazette No: 8573 on 21 May 2014.

##### XX. Explanations on acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the Parent Bank's 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.

The activities of investment banking are; the operations of Treasury, Corporate Finance and Financial Institutions. 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.



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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION THREE (Continued)

#### ACCOUNTING POLICIES (Continued)

#### XXII. Explanations on segment reporting (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	309.709	310.576	(21.743)	598.542
Net Fees and Commission Income	11.523	(23)	18.047	29.547
Other Income	843	2.353	93.396	96.592
Other Expense	(89.829)	(19.706)	(103.821)	(213.356)
Profit Before Tax	232.246	293.200	(14.121)	511.325
Tax Provision				(100.735)
<b>Net Profit</b>				<b>410.590</b>
Group's profit / loss				407.231
Non-controlling interest				3.359
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	13.564.132	6.456.746	1.049.790	21.070.668
Investment in Associates and Subsidiaries	-	-	295.912	295.912
<b>Total Assets</b>	<b>13.564.132</b>	<b>6.456.746</b>	<b>1.345.702</b>	<b>21.366.580</b>
Segment Liabilities	16.220.868	1.640.878	721.042	18.582.788
Shareholders' Equity	-	-	2.783.792	2.783.792
<b>Total Liabilities</b>	<b>16.220.868</b>	<b>1.640.878</b>	<b>3.504.834</b>	<b>21.366.580</b>
Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	324.145	213.382	(8.904)	528.623
Net Fees and Commission Income	9.794	1.370	18.336	29.500
Other Income	25.782	16.279	245.214	287.275
Other Expense	(73.457)	(12.168)	(293.426)	(379.051)
Profit Before Tax	286.264	218.863	(38.780)	466.347
Tax Provision				(92.236)
<b>Net Profit</b>				<b>374.111</b>
Group's profit / loss				373.408
Non-controlling interest				703
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	10.794.549	4.308.787	858.446	15.961.782
Investment in Associates and Subsidiaries	-	-	263.919	263.919
<b>Total Assets</b>	<b>10.794.549</b>	<b>4.308.787</b>	<b>1.122.365</b>	<b>16.225.701</b>
Segment Liabilities	10.856.683	2.219.230	725.537	13.801.450
Shareholders' Equity	-	-	2.424.251	2.424.251
<b>Total Liabilities</b>	<b>10.856.683</b>	<b>2.219.230</b>	<b>3.149.788</b>	<b>16.225.701</b>

#### XXIII. Explanations on other matters

None.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### 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 2015, the Parent Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 16,00%.

##### Information related to the consolidated capital adequacy standard ratio

Current Period	Risk Weights <sup>(1)</sup>						
	Parent Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>3.348.320</b>	<b>1.828.304</b>	<b>4.442.930</b>	<b>-</b>	<b>13.573.860</b>	<b>64</b>	<b>106</b>
Risk Types							
Contingent and non-contingent claims on sovereigns	3.348.308	-	1.023.038	-	-	-	-
Contingent and non-contingent claims on regional governments and local authorities	-	-	-	-	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	-	-	-	-	1.406	-	-
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	-	1.561.692	1.476.340	-	14.565	-	-
Contingent and non-contingent claims on							
Corporate	-	266.612	1.041.152	-	13.066.350	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-	-	-	-
Contingent and non-contingent claims secured by real estate property	-	-	902.400	-	-	-	-
Past due loans	-	-	-	-	-	-	-
Higher-risk categories defined by the board	-	-	-	-	-	64	106
Securities secured by mortgage	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-
Short-term claims on banks and intermediary institutions	-	-	-	-	-	-	-
Undertakings for collective investments in transferable securities	-	-	-	-	-	-	-
Other claims	12	-	-	-	491.539	-	-

<sup>(1)</sup> The Parent Bank has no credit risk related to 10%, 250% and 1250% risk weight.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

Information related to the consolidated capital adequacy standard ratio (continued)

Prior Period	Risk Weights <sup>(1)</sup>						
	Parent Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>3.013.478</b>	<b>896.971</b>	<b>2.352.327</b>	<b>-</b>	<b>10.931.575</b>	<b>41</b>	<b>5</b>
Risk Types							
Contingent and non-contingent claims on sovereigns	3.012.857	-	542.331	-	-	-	-
Contingent and non-contingent claims on regional governments and local authorities	-	-	-	-	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	-	-	-	-	213	-	-
Contingent and non-contingent claims on multilateral development banks	613	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and capital market intermediary	-	477.873	634.522	-	-	-	-
Contingent and non-contingent claims on							
Corporate	-	419.098	736.146	-	10.530.858	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-	-	-	-
Contingent and non-contingent claims secured by real estate property	-	-	439.328	-	-	-	-
Past due loans	-	-	-	-	-	-	-
Higher-risk categories defined by the board	-	-	-	-	-	41	5
Securities secured by mortgage	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-
Short-term claims on banks and intermediary institutions	-	-	-	-	-	-	-
Undertakings for collective investments in transferable securities	-	-	-	-	-	-	-
Other claims	8	-	-	-	400.504	-	-

<sup>(1)</sup> The Parent Bank has no credit risk related to 10%, 250% and 1250% risk weight.

Current Period	Risk Weights <sup>(1)</sup>						
	Consolidated						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>3.361.734</b>	<b>2.024.242</b>	<b>4.546.954</b>	<b>-</b>	<b>13.661.770</b>	<b>64</b>	<b>106</b>
Risk Types							
Contingent and non-contingent claims on sovereigns	3.361.713	-	1.023.039	-	-	-	-
Contingent and non-contingent claims on regional governments and local authorities	-	-	614	-	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	-	-	-	-	1.826	-	-
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	-	1.757.630	1.689.160	-	14.565	-	-
Contingent and non-contingent claims on							
Corporate	-	266.612	1.041.152	-	13.069.148	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-	-	-	-
Contingent and non-contingent claims secured by real estate property	-	-	792.989	-	-	-	-
Past due loans	-	-	-	-	-	-	-
Higher-risk categories defined by the board	-	-	-	-	-	64	106
Securities secured by mortgage	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-
Short-term claims on banks and intermediary institutions	-	-	-	-	-	-	-
Undertakings for collective investments in transferable securities	-	-	-	-	1.654	-	-
Other claims	21	-	-	-	574.577	-	-

<sup>(1)</sup> The Group has no credit risk related to 10%, 250% and 1250% risk weight.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

Information related to the consolidated capital adequacy standard ratio (continued)

	Risk Weights <sup>(*)</sup>						
Prior Period	Consolidated						
	0%	20%	50%	75%	100%	150%	200%
The Amount Subject to Credit Risk	3.028.593	1.073.516	2.615.587	-	11.012.851	41	5
Risk Types							
Contingent and non-contingent claims on sovereigns	3.027.966	-	542.331	-	-	-	-
Contingent and non-contingent claims on regional governments and local authorities	-	-	614	-	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	-	-	-	-	633	-	-
Contingent and non-contingent claims on multilateral development banks	613	-	-	-	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-	-	-	-
Contingent and non-contingent claims on banks and capital market intermediary	-	654.418	904.631	-	-	-	-
Contingent and non-contingent claims on							
Corporate	-	419.098	736.146	-	10.439.288	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-	-	-	-
Contingent and non-contingent claims secured by real estate property	-	-	431.865	-	-	-	-
Past due loans	-	-	-	-	-	-	-
Higher-risk categories defined by the board	-	-	-	-	-	41	5
Securities secured by mortgage	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-
Short-term claims on banks and institutions	-	-	-	-	-	-	-
Undertakings for collective investments in transferable securities	-	-	-	-	2.071	-	-
Other claims	14	-	-	-	570.859	-	-

<sup>(\*)</sup> The Group has no credit risk related to 10%, 250% and 1250% risk weight.

Summary information related to the consolidated capital adequacy standard ratio

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
Capital Requirement for Credit Risk (Amount subject to Credit Risk*0,08) (CRCR)	1.292.904	1.307.232	982.976	1.002.834
Capital Requirement for Market Risk (CRMAR)	45.963	58.714	27.906	32.164
Capital Requirement for Operational Risk (CROAR)	75.964	81.280	65.693	70.605
Shareholders' Equity	2.628.841	2.893.789	2.434.434	2.533.742
Shareholders' Equity /((CRCR+CRMAR+CROAR) *12,5)*100)	<b>14,86</b>	<b>16,00</b>	<b>18,09</b>	<b>18,33</b>
Principal Capital /(( CRCR+CRMAR+CROAR) *12,5)*100)	<b>14,02</b>	<b>15,27</b>	<b>16,99</b>	<b>17,47</b>
Core Capital/(( CRCR+CRMAR+CROAR) *12,5)*100)	<b>14,03</b>	<b>15,28</b>	<b>16,99</b>	<b>17,47</b>

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

*Information related to the components of consolidated shareholders' equity*

	Parent Bank Current Period	Consolidated Current Period
<b>TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	1.750.374	1.750.374
Share premium	-	428
Share cancellation profits	-	-
Legal reserves	353.822	362.902
Other comprehensive income according to TAS	90.614	273.407
Profit	406.845	458.078
Net current period profit	406.845	407.231
Prior period profit	-	50.847
Provisions for possible losses	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	-	65.490
<b>Tier I Capital Before Deductions</b>	<b>2.601.655</b>	<b>2.910.679</b>
<b>Deductions From Tier I Capital</b>		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	112.928	126.887
Leasehold improvements on operational leases (-)	6.268	7.499
Goodwill and intangible assets and related deferred tax liabilities (-)	686	2.056
Net deferred tax assets / liabilities (-)	1.149	1.149
Shares obtained against article 56, paragraph 4 of the banking law (-)	-	-
Investments in own common equity (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	8.492
Mortgage servicing rights exceeding the 10% threshold of Tier I capital (-)	-	-
Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I capital (-)	-	-
Amount exceeding the 15% threshold of Tier I capital as per the article 2, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital not deducted from Tier I capital (-)	-	-
Mortgage servicing rights not deducted (-)	-	-
Excess amount arising from deferred tax assets from temporary differences (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals (-)	-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>	<b>121.031</b>	<b>146.083</b>
<b>Tier 1 Capital</b>	<b>2.480.624</b>	<b>2.764.596</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

Information related to the components of consolidated shareholders' equity (continued)

	Parent Bank Current Period	Consolidated Current Period
<b>ADDITIONAL CORE CAPITAL</b>		
Preferred stock not included in Tier I capital and the related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained after 1.1.2014)	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained before 1.1.2014)	-	-
<b>Additional core capital before deductions</b>	-	-
<b>Deductions From Additional Core Capital</b>		
Direct and indirect investments of the bank on its own additional core capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Deductions from additional core capital in cases where there are no adequate Tier II capital (-)	-	-
<b>Total deductions from additional core capital</b>	-	-
<b>Total Additional Core Capital</b>	-	-
<b>Deductions From Core Capital</b>		
Goodwill and other intangible assets and related deferred taxes not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
Net deferred tax asset/liability not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
<b>Total Core Capital</b>	<b>2.480.624</b>	<b>2.764.596</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained after 1.1.2014)	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained before 1.1.2014)	-	-
Pledged assets of the shareholders to be used for the bank's capital increases	-	-
General provisions	150.329	144.043
<b>Tier II Capital Before Deductions</b>	<b>150.329</b>	<b>144.043</b>
<b>Deductions from Tier II Capital</b>		
Direct and indirect investments of the bank on its own Tier II capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
The total of net long position of the direct or indirect investments in additional core capital and Tier II capital of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>150.329</b>	<b>144.043</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

*Information related to the components of consolidated shareholders' equity (continued)*

	Parent Bank	Consolidated
	Current Period	Current Period
<b>CAPITAL</b>	<b>2.630.953</b>	<b>2.908.639</b>
Loans granted against the articles 50 and 51 of the banking law (-)	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the banking law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	390	390
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of subordinated debts or debt instruments purchased from such parties and qualified as subordinated debts (-)	-	-
Deductions as per the article 20, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
Other items to be defined by the BRSA (-)	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from Tier I capital, additional core capital or tier II capital as per the temporary article 2, clause 1 of the regulation (-)	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from additional core capital or Tier II capital as per the temporary article 2, clause 1 of the regulation (-)	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I capital as per the temporary article 2, clause 2, paragraph (1) and (2) and temporary article 2, clause 1 of the regulation (-)	1.722	14.460
<b>EQUITY</b>	<b>2.628.841</b>	<b>2.893.789</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>		
Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	22.047	44.693
Remaining total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the Tier I capital	158.323	270.760
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	-	-

The tables of "Summary information related to the consolidated capital adequacy standard ratio", "Information related to the shareholders' equity" and "Information related to the consolidated shareholders' equity" stated in second paragraph of the article no.7 of the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures published in Official Gazette No. 28337 dated 28 June 2012 have been amended by the communiqué published in Official Gazette No. 28983 dated 26 April 2014.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

Information related to the components of consolidated shareholders' equity (continued)

Components of items of shareholders' equity subject to temporary applications

The Parent Bank has been calculating its unconsolidated and consolidated equity in accordance with the "Communiqué on shareholders' equity" published in Official Gazette No. 28756 dated 5 September 2013 since 1 January 2014; and unconsolidated and consolidated capital adequacy standard ratios are also calculated within this context.

	The Parent Bank		Consolidated	
	Amount considered in the calculation of equity of current period	Total Amount	Amount considered in the calculation of equity of current period	Total Amount
Goodwill and intangible assets and related deferred tax liabilities (-)	-	-	-	-
Net deferred tax asset/liability	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-	-	-
The total of net long position of the direct or indirect investments in additional core capital and Tier II capital of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I capital (-)	-	-	19.155	291.988
Minority shares in Tier I capital	-	-	-	-
Third parties' shares in additional core capital	-	-	-	-
Third parties' shares in Tier II capital	-	-	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued before 1.1.2014)	-	-	-	-
			Parent Bank	Consolidated
			Prior Period	Prior Period
<b>TIER 1 CAPITAL</b>				
Paid-in capital to be entitled for compensation after all creditors			1.500.374	1.500.374
Share premium			-	413
Share cancellation profits			-	-
Legal reserves			306.491	315.408
Other comprehensive income according to TAS			128.770	131.001
Profit			369.274	417.290
Net current period profit			369.274	373.408
Prior period profit			-	43.882
Provisions for possible losses			-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit			-	-
Minority shareholder			-	67.453
<b>Tier I Capital Before Deductions</b>			<b>2.304.909</b>	<b>2.431.939</b>
<b>Deductions From Tier I Capital</b>				
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)			16.824	7.688
Leasehold improvements on operational leases (-)			745	2.184
Goodwill and intangible assets and related deferred tax liabilities (-)			690	2.173
Net deferred tax assets/liabilities (-)			-	-
Shares obtained against article 56, paragraph 4 of the banking law (-)			-	-
Investments in own common equity (-)			-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)			-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)			-	5.300
Mortgage servicing rights exceeding the 10% threshold of Tier I capital (-)			-	-
Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I capital (-)			-	-
Amount exceeding the 15% threshold of Tier I capital as per the article 2, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)			-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital not deducted from Tier I capital (-)			-	-
Mortgage servicing rights not deducted (-)			-	-
Excess amount arising from deferred tax assets from temporary differences (-)			-	-
Other items to be defined by the BRSA (-)			-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals (-)			-	-
<b>Total Regulatory Adjustments to Tier 1 Capital</b>			<b>18.259</b>	<b>17.345</b>
<b>Tier 1 Capital</b>			<b>2.286.650</b>	<b>2.414.594</b>



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

*Information related to the components of consolidated shareholders' equity (continued)*

	Parent Bank	Consolidated
	Prior Period	Prior Period
<b>ADDITIONAL CORE CAPITAL</b>		
Preferred stock not included in Tier I capital and the related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained after 1.1.2014)	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained before 1.1.2014)	-	-
<b>Additional core capital before deductions</b>	-	-
<b>Deductions from Additional Core Capital</b>		
Direct and indirect investments of the bank on its own additional core capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Deductions from additional core capital in cases where there are no adequate Tier II capital (-)	-	-
<b>Total deductions from additional core capital</b>	-	-
<b>Total Additional Core Capital</b>	-	-
<b>Deductions from Core Capital</b>		
Goodwill and other intangible assets and related deferred taxes not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
Net deferred tax asset/liability not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
<b>Total Core Capital</b>	<b>2.286.650</b>	<b>2.414.594</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained after 1.1.2014)	-	-
Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained before 1.1.2014)	23.050	23.050
Pledged assets of the shareholders to be used for the bank's capital increases	-	-
General provisions	125.194	117.760
<b>Tier II Capital before Deductions</b>	<b>148.244</b>	<b>140.810</b>
<b>Deductions from Tier II Capital</b>		
Direct and indirect investments of the bank on its own Tier II capital (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-
The total of net long position of the direct or indirect investments in additional core capital and Tier II capital of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>148.244</b>	<b>140.810</b>

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

*Information related to the components of consolidated shareholders' equity (continued)*

	Parent Bank	Consolidated
	Prior Period	Prior Period
<b>CAPITAL</b>	<b>2.434.894</b>	<b>2.555.404</b>
Loans granted against the articles 50 and 51 of the banking law (-)	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the banking law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	460	460
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of subordinated debts or debt instruments purchased from such parties and qualified as subordinated debts (-)	-	-
Deductions as per the article 20, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-	-
Other items to be defined by the BRSA (-)	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from Tier I capital, additional core capital or Tier II capital as per the temporary article 2, clause 1 of the regulation (-)	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from additional core capital or Tier II capital as per the temporary article 2, clause 1 of the regulation (-)	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I capital as per the temporary article 2, clause 2, paragraph (1) and (2) and temporary article 2, clause 1 of the regulation (-)	-	21.202
<b>EQUITY</b>	<b>2.434.434</b>	<b>2.533.742</b>
<b>Amounts Lower Than Excesses As Per Deduction Rules</b>		
Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	19.363	35.142
Remaining total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the Tier I capital	162.463	235.244
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	31.668	35.681

The tables of "Summary information related to the consolidated capital adequacy standard ratio", "Information related to the shareholders' equity" and "Information related to the consolidated shareholders' equity" stated in second paragraph of the article no.7 of the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures published in Official Gazette No 28337 dated 28 June 2012 have been amended by the communiqué published in Official Gazette No. 28983 dated 26 April 2014.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

The Parent Bank has been calculating its unconsolidated and consolidated equity in accordance with the "Communiqué on shareholders' equity" published in Official Gazette No. 28756 dated 5 September 2013 since 1 January 2014; and unconsolidated and consolidated capital adequacy standard ratios are also calculated within this context.

##### Information related to the consolidated capital adequacy standard ratio

	The Parent Bank		Consolidated	
	Amount considered in the calculation of equity of prior period	Total Amount	Amount considered in the calculation of equity of prior period	Total Amount
Goodwill and intangible assets and related deferred tax liabilities (-)	-	-	-	-
Net deferred tax asset/liability	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and				
financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-	-	-	-
The total of net long position of the direct or indirect investments in additional core capital and Tier II capital of unconsolidated banks and				
financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I capital (-)	-	-	26.502	261.746
Minority shares in Tier I capital	-	-	-	-
Third parties' shares in additional core capital	-	-	-	-
Third parties' shares in Tier II capital	-	-	-	-
Debt instruments and the related issuance premiums defined by the brsa (issued before 1.1.2014) <sup>(*)</sup>	23.050	115.250	23.050	115.250

<sup>(\*)</sup>**Özkaynak hesaplamasına dahil edilecek borçlanma araçlarına ilişkin bilgiler:** The subordinated borrowing, which the Parent bank used from the International Finance Corporation (IFC) through direct financing, has the approval of BRSA and considered under the temporary Article 4 even not having the conditions stated in Article 7 and Article 8 of the "Regulation on Equities of Banks". As of 31 December 2014 20% of the subordinated borrowing amounting TL 115.250 (50 million US Dollar) is included in calculation of additional Tier II Capital.

##### 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 Capital Adequacy Policy approved in the Board of Directors meeting held on 26 March 2015. The Parent Bank's internal capital adequacy assessment process is maintained on a consolidated annual basis and consolidated subsidiaries and affiliates are included to process. 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 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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations related to the consolidated capital adequacy standard ratio (continued)

###### *The approaches used for internal capital adequacy assessment in terms of current and future activities (continued)*

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, the Parent Bank's capital requirement and internal capital adequacy is evaluated, based on 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.

###### *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	4.655.888	4.184.755
Contingent and non-contingent claims on regional governments and local authorities	3.069	3.035
Contingent and non-contingent claims on administrative units and non-commercial enterprises	6.266	9.216
Contingent and non-contingent claims on multilateral development banks	-	2.130
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and capital market intermediary	6.959.734	6.251.333
Contingent and non-contingent claims on corporates	17.237.401	16.837.747
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-
Contingent and non-contingent claims secured by real estate property	793.209	432.268
Past due loans	-	-
Higher-risk categories defined by agency	170	78
Securities secured by mortgage	-	-
Securitization exposures	-	-
Short-term claims on banks and corporate	-	-
Undertakings for collective investments in transferable securities	1.654	1.757
Other claims	885.080	876.588

<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 2015 to the period end.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to consolidated credit risk (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 (continued)*

Prior Period	Current Period Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
Contingent and non-contingent claims on sovereigns	3.670.061	2.991.723
Contingent and non-contingent claims on regional governments and local authorities	3.070	2.256
Contingent and non-contingent claims on administrative units and non-commercial enterprises	3.188	15.093
Contingent and non-contingent claims on multilateral development banks	3.063	1.814
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and capital market intermediary	4.293.420	4.085.268
Contingent and non-contingent claims on corporates	14.330.580	12.989.240
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-
Contingent and non-contingent claims secured by real estate property	431.865	262.528
Past due loans	-	-
Higher-risk categories defined by agency	46	49
Securities secured by mortgage	-	-
Securitization exposures	-	-
Short-term claims on banks and corporate	-	-
Undertakings for collective investments in transferable securities	2.071	68.984
Other claims	633.208	587.024

<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 2014 to the period end.

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 81,68% and 97,37% of the total cash loans portfolio of the Group respectively (31 December 2014: 83,25% and 97,69%)

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 2014: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 80,38% and 96,65% of the total on and off balance sheet accounts of the Group respectively (31 December 2014: 81,58% and 97,09%)

The Parent Bank calculated the general loan loss provision of TL 144.043 (31 December 2014: TL 117.760).

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Profile of Significant Exposures in Major Regions

Current Period	Risk Types <sup>(1)</sup>															Total
	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	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	
Domestic	4,371,346	-	1,088	-	-	2,408,933	14,125,316	-	792,989	-	170	-	-	-	132,331	21,832,173
European Union (EU)																
Countries	-	-	-	-	-	388,437	-	-	-	-	-	-	-	-	10,121	399,558
OECD Countries <sup>(2)</sup>	-	-	-	-	-	4,117	-	-	-	-	-	-	-	-	-	4,117
Off-Shore Banking																
Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	86,129	-	-	-	-	-	-	-	-	86,129
Other Countries	-	-	-	-	-	-	163,982	64,094	-	-	-	-	-	-	-	228,076
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	177,446	-	-	-	-	-	-	205,899	383,345
Unallocated Assets/Liabilities <sup>(3)</sup>	13,406	614	738	-	-	408,757	10,056	-	-	-	-	-	-	-	1,654	661,472
<b>Total</b>	<b>4,384,752</b>	<b>614</b>	<b>1,826</b>	<b>-</b>	<b>-</b>	<b>3,461,355</b>	<b>14,376,912</b>	<b>-</b>	<b>792,989</b>	<b>-</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,654</b>	<b>23,594,870</b>

<sup>(1)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Profile of Significant Exposures in Major Regions (continued)

	Risk Types <sup>a)</sup>															
	Contingent and Non-Contingent Sovereigns	Contingent and Non-Contingent Regional Governments Authorities	Contingent and Non-Contingent Administrative Units and Non-Contingent 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 Intermediary	Contingent and Non-Contingent Claims Included in Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Due to Agency	Securities Issued by Mortgage	Securitization Claims Exposures	Short-Term Investments in Treasury Securities	Undertakings for Collective Investments in Real Estate Securities	Total	
Prior Period	3,570,297	614	426	-	-	1,326,372	11,441,752	-	431,865	-	46	-	-	2,071	520,915	17,294,358
Domestic	-	-	-	-	-	169,494	-	-	-	-	-	-	-	-	6,240	176,347
European Union (EU)	-	-	-	613	-	6,554	-	-	-	-	-	-	-	-	6,554	-
Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD Countries <sup>b)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Banking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regions	-	-	-	-	-	-	1,022	-	-	-	-	-	-	-	1,022	-
USA, Canada	-	-	-	-	-	20,201	-	-	-	-	-	-	-	-	3,029	23,230
Other Countries	-	-	-	-	-	36,428	53,446	-	-	-	-	-	-	-	-	89,874
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	95,464	-	-	-	-	-	-	-	1,935	97,399
Unallocated Assets/ Liabilities <sup>c)</sup>	-	-	207	-	-	-	2,848	-	-	-	-	-	-	-	38,754	41,809
Total	3,570,297	614	633	613	-	1,559,049	11,594,532	-	431,865	-	46	-	-	2,071	570,873	17,796,593

<sup>(i)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

<sup>(ii)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(iii)</sup> Includes asset and liability items that cannot be allocated on a consistent basis.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Risk profile by sectors or counterparties

Risk Types <sup>(*)</sup>																	
Current Period	Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	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 Non-Contingent Claims in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Part 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		
														TL		FC	
Agriculture	-	-	-	-	-	1.503	-	-	-	-	-	-	-	379	1.882	-	1.882
Farming and Stockbreeding	-	-	-	-	-	1.503	-	-	-	-	-	-	-	-	1.503	-	1.503
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	379	379	-	379
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	10.078.629	73.658	-	-	-	-	-	-	5.694	952.396	9.205.585	10.157.981
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	113.824	-	-	-	-	-	-	-	-	113.824	-	113.824
Electricity, Gas and Water	-	-	-	-	-	2.990.125	47.858	-	-	-	-	-	-	5.694	383.402	2.660.275	3.043.677
Construction	-	-	-	-	-	6.974.680	25.800	-	-	-	-	-	-	-	568.994	6.431.486	7.000.480
Services	8.20.639	-	1.088	-	-	224.013	-	-	-	-	-	-	-	-	31.091	192.922	224.013
Wholesale and Retail Trade	-	-	-	-	-	3.062.598	3.960.131	-	-	-	-	-	-	1.654	3.381.111	6.914.895	8.879.274
Accommodation and Dining	-	-	-	-	-	399.856	9.915	-	-	-	-	-	-	-	3.834	315.165	318.999
Transportation and Telecommunication	-	-	-	-	-	882.872	198.718	-	-	-	-	-	-	-	2.017	596.557	598.574
Financial Institutions	8206.39	-	1.088	-	-	3.052.198	1.368.846	-	-	-	-	-	-	1.654	3361.177	1.910.566	5.591.020
Real Estate and Rental Services	-	-	-	-	-	61.059	490.661	-	-	-	-	-	-	-	473	551.247	551.720
Professional Services	-	-	-	-	-	615.246	-	-	-	-	-	-	-	379	36.736	578.889	615.625
Educational Services	-	-	-	-	-	156.633	5.759	-	-	-	-	-	-	-	6.142	156.250	162.392
Health and Social Services	-	-	-	-	-	166.535	-	-	-	-	-	-	-	-	3.056	163.479	166.535
Others	3.564.113	614	738	-	-	408.757	142.78	-	170	-	-	-	-	230.414	3.325.780	1.005.940	4.317.20
Total	43.84.752	614	1.826	-	3.461.355	14.376.912	792.989	-	170	-	-	1.654	574.598	6.275.528	17.319.342	23.594.870	

(\*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used



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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (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 Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative 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 Non-Bank Financial Institutions	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	Claims on Banks and Corporate	Short-Term Investments in Transferable Securities	Undertakings for Collective Investments in Securities	Other Claims	TL	FC	Total
Agriculture	-	-	-	-	-	-	2,636	-	-	-	-	-	-	-	-	399	3,035	-	3,035
Farming and Stockbreeding	-	-	-	-	-	-	2,636	-	-	-	-	-	-	-	-	-	2,636	-	2,636
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	399	399	-	399
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	2,688	77,225,514	192,70	-	-	-	-	-	-	-	20,217	835,792	6,928,897	7,764,689
Mining and Quarrying	-	-	-	-	-	-	92,947	693	-	-	-	-	-	-	-	-	-	93,640	93,640
Production	-	-	-	-	-	42	2,332,527	18,577	-	-	-	-	-	-	-	11,037	298,762	2,063,421	2,362,183
Electricity, Gas and Water	-	-	-	-	-	2,646	5,297,040	-	-	-	-	-	-	-	-	9,180	537,030	4,771,836	5,308,866
Construction	-	-	-	-	-	-	188,052	-	-	-	-	-	-	-	-	1	45,620	14,2433	188,053
Services	519,414	-	426	613	-	1,556,361	3,570,181	412,595	-	-	-	2,071	266,123	1,747,879	4,579,905	6,327,784	-	-	188,053
Wholesale and Retail Trade	-	-	-	-	-	-	148,541	680	-	-	-	-	-	-	-	178	6,944	142,455	149,399
Accommodation and Dining	-	-	-	-	-	-	454,606	93,638	-	-	-	-	-	-	-	10	548,244	548,254	548,254
Transportation and Telecommunication	-	-	-	-	-	-	741,951	-	-	-	-	-	-	-	-	1,555	1,565	741,941	743,506
Financial Institutions	519,414	-	426	613	-	1,556,361	1,335,401	12,525	-	-	-	-	-	-	2,071	263,770	1,660,702	2,029,879	3,690,581
Real Estate and Rental Services	-	-	-	-	-	-	218,682	235,993	-	-	-	-	-	-	-	203	453,872	454,075	454,075
Professional Services	-	-	-	-	-	-	574,626	172,90	-	-	-	-	-	-	-	610	68,386	524,140	592,526
Educational Services	-	-	-	-	-	-	78,504	71,138	-	-	-	-	-	-	-	-	7,020	78,622	85,642
Health and Social Services	-	-	-	-	-	-	17,870	45,931	-	-	-	-	-	-	-	-	3,049	60,752	63,801
Others	3,050,883	614	207	-	-	-	1,111,149	-	-	46	-	-	-	-	-	284,133	2,807,395	63,9637	3,447,032
Total	3,570,297	614	633	613	-	1,559,049	11,594,532	431,865	-	46	-	-	-	-	2,071	570,873	5,439,721	12,290,872	17,730,593

<sup>(\*)</sup> Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

*Analysis of maturity-bearing exposures according to remaining maturities*

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	802.706	49.995	-	274.334	3.177.749
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	1.086	-	-	-	296
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	2.030.107	45.773	179.201	63.333	651.938
Contingent and Non-Contingent Claims on Corporates	361.784	421.254	441.073	1.226.863	11.774.514
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	494	-	58.274	734.221
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	170
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
Other Claims	5.376	5.068	-	10.017	69.988
<b>Total</b>	<b>3.201.059</b>	<b>522.584</b>	<b>620.274</b>	<b>1.632.821</b>	<b>16.408.876</b>

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	602.016	13.316	33.390	81.398	2.766.171
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	9	1	4	11	183
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	673.499	100.291	85.762	82.417	362.227
Contingent and Non-Contingent Claims on Corporates	516.163	373.384	258.321	747.134	9.572.945
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	693	-	431.172
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	4.607	-	-	9.181	25.649
<b>Total</b>	<b>1.796.294</b>	<b>486.992</b>	<b>378.170</b>	<b>920.141</b>	<b>13.158.347</b>

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (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 More Than 3 Months	Claims with Remaining Maturities Less 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				
	D				
Unrated	Unrated	100%	20% <sup>(*)</sup>	50% <sup>(*)</sup>	100%

<sup>(\*)</sup> Used in case when the risk weight of the sovereign of the Parent Bank's country is not higher.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Information on risk types (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 More Than 3 Months	Claims with Remaining Maturities Less 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				
	D				
Unrated	Unrated	100%	20% <sup>(*)</sup>	50% <sup>(*)</sup>	100%

<sup>(\*)</sup> 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
Current Period										
Exposures Before Credit Risk										
Mitigation <sup>(*)</sup>	3.509.448	-	4.056.074	4.098.134	-	14.565.027	64	106	-	157.154
Exposures After Credit Risk										
Mitigation	3.361.734	-	2.024.242	4.546.954	-	13.661.770	64	106	-	157.154

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Exposures by risk weights (continued)

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equities
Prior Period										
Exposures Before Credit Risk										
Mitigation <sup>(*)</sup>	3.123.722	-	3.040.664	2.287.290	-	11.560.046	41	5	-	39.007
Exposures After Credit Risk Mitigation	3.028.593	-	1.073.516	2.615.587	-	11.012.851	41	5	-	39.007

<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			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
Agriculture	3.446	-	-	(3.446)
Farming and Stockbreeding	3.446	-	-	(3.446)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	46.439	11.293	-	(46.439)
Mining and Quarrying	193	-	-	(193)
Production	8.368	-	-	(8.368)
Electricity, Gas and Water	37.878	11.293	-	(37.878)
Construction	9.520	3.848	-	(9.520)
Services	1.489	-	-	(1.489)
Wholesale and Retail Trade	489	-	-	(489)
Accommodation and Dining	749	-	-	(749)
Transportation and Telecommunication	57	-	-	(57)
Financial Institutions	38	-	-	(38)
Real Estate and Rental Services	-	-	-	-
Professional Services	156	-	-	(156)
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	123	-	-	(123)
<b>Total</b>	<b>61.017</b>	<b>15.141</b>	<b>-</b>	<b>(61.017)</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

##### Information of major sectors or type of counterparties (continued)

Prior Period	Loans			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
Agriculture	3.433	-	-	(3.433)
Farming and Stockbreeding	3.433	-	-	(3.433)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	8.617	44.689	-	(8.617)
Mining and Quarrying	192	-	-	(192)
Production	8.425	-	-	(8.425)
Electricity, Gas and Water	-	44.689	-	-
Construction	4.886	11.913	-	(4.886)
Services	1.325	-	-	(1.325)
Wholesale and Retail Trade	490	-	-	(490)
Accommodation and Dining	703	-	-	(703)
Transportation and Telecommunication	17	-	-	(17)
Financial Institutions	24	-	-	(24)
Real Estate and Rental Services	-	-	-	-
Professional Services	91	-	-	(91)
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	177	-	-	(177)
<b>Total</b>	<b>18.438</b>	<b>56.602</b>	<b>-</b>	<b>(18.438)</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	18.438	44.098	1.519	-	61.017
General Loan Loss Provision	117.760	26.283	-	-	144.043
Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	37.386	10.808	29.756	-	18.438
General Loan Loss Provision	96.583	21.177	-	-	117.760

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### II. Explanations related to consolidated credit risk (continued)

Cash credit quality per class of financial assets as of 31 December 2015 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	13.617.988	15.141	13.633.129
Corporate Loans	11.380.224	3.848	11.384.072
Loans to SME	2.168.539	11.293	2.179.832
Consumer Loans	228	-	228
Other	68.997	-	68.997
Receivables from Leasing Transactions	-	-	-
<b>Total</b>	<b>13.617.988</b>	<b>15.141</b>	<b>13.633.129</b>

Cash credit quality per class of financial assets as of 31 December 2014 is as follows:

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	10.810.387	56.602	10.866.989
Corporate Loans	9.006.463	11.913	9.018.376
Loans to SME	1.731.353	44.689	1.776.042
Consumer Loans	131	-	131
Other	72.440	-	72.440
Receivables from Leasing Transactions	-	-	-
<b>Total</b>	<b>10.810.387</b>	<b>56.602</b>	<b>10.866.989</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	688.490	480.487
High Grade	3.227.384	2.245.543
Average Grade	6.760.088	6.175.049
Below Average Grade	4.463.785	2.899.642
Impaired	62.184	18.438
<b>Total</b>	<b>15.201.931</b>	<b>11.819.159</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 15.476.810; and TL 274.879 of these customers have not been rated (31 December 2014: TL 12.338.498; TL 519.337).

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations related to consolidated credit risk (continued)

*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	162.977	172.426
Corporate Loans	17.651	14.663
Loans to SME	145.326	157.763
Consumer Loans	-	-
Other	-	-
<b>Total</b>	<b>162.977</b>	<b>172.426</b>

##### 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 the Risk Management Department 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 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	26.979	14.452
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	753	1.143
Capital Requirement for Specific Risk Relating to Securitization Positions – Standard Method	-	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	14.609	9.862
(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	-	2
(VII) Counterparty credit risk capital requirement - Standard method	16.373	6.705
(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 (I+II+III+IV+V+VI+VII)	58.714	32.164
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>733.925</b>	<b>402.050</b>



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### III. Explanations related to the consolidated market risk (continued)

##### 1.b Average market risk table as of the month ends during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	23.139	28.246	15.793	10.095	14.909	7.038
Common Stock Risk	319	1.059	121	494	969	114
Currency Risk	19.226	26.293	9.890	10.454	14.317	9.083
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	303	675	-	147	896	-
Counterparty Credit Risk	13.399	19.782	8.077	5.491	6.705	4.036
<b>Total Value At Risk</b>	<b>56.386</b>	<b>76.055</b>	<b>33.881</b>	<b>26.681</b>	<b>37.796</b>	<b>20.271</b>

##### 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	80.574	29.595
Foreign Exchange Rate Contracts	216.107	98.542
Commodity Contracts	-	-
Equity Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	296.681	128.137
Net-off Benefits	-	-
Net-off Current Risk Amount	296.681	128.137
Collaterals Received	15.379	7.607
Net Derivative Position	281.302	120.530

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### III. Explanations related to the consolidated market risk (continued)

##### 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 1.705 (31 December 2014: TL 2.322), for marketable securities classified as financial assets held for trading the profit/loss would decrease/increase by TL 1 (31 December 2014: TL 478 marketable securities value increase fund increase/decrease).

#### 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 2012	31 December 2013	31 December 2014	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	497.984	509.813	617.803	541.867	15	81.280
Value at Operational Risk (Total*12,5)						1.016.000

#### 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.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	1 Euro
The Parent Bank's "Foreign Exchange Valuation Rate"		
31 December 2015	2,8950	3,1642
Prior Five Workdays:		
30 December 2015	2,8900	3,1582
29 December 2015	2,8800	3,1608
28 December 2015	2,8900	3,1700
25 December 2015	2,8900	3,1700
24 December 2015	2,8950	3,1648

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 2,8890 and 3,1476; respectively.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### V. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

	Euro	US Dollar	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	156.464	525.002	89.210	770.676
Banks	283.264	393.161	2.503	678.928
Financial Assets at Fair Value Through Profit and Loss <sup>(*)</sup>	16.969	24.256	5.311	46.536
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	34.650	813.169	-	847.819
Loans <sup>(**)</sup>	4.902.660	7.661.022	-	12.563.682
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	157.408	-	157.408
Derivative Financial Assets for Hedging Purposes	-	4.093	-	4.093
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(***)</sup>	24	180.943	-	180.967
<b>Total Assets</b>	<b>5.394.031</b>	<b>9.759.054</b>	<b>97.024</b>	<b>15.250.109</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	21.781	22.767	-	44.548
Funds Provided From Other Financial Institutions	5.688.200	7.643.855	-	13.332.055
Marketable Securities Issued	-	2.037.571	-	2.037.571
Miscellaneous Payables	8.546	20.990	1.191	30.727
Derivative Financial Liabilities for Hedging Purposes	-	5.799	-	5.799
Other Liabilities <sup>(****)</sup>	25.083	26.209	4.421	55.713
<b>Total Liabilities</b>	<b>5.743.610</b>	<b>9.757.191</b>	<b>5.612</b>	<b>15.506.413</b>
<b>Net Balance Sheet Position</b>	<b>(349.579)</b>	<b>1.863</b>	<b>91.412</b>	<b>(256.304)</b>
<b>Net Off-Balance Sheet Position</b>	<b>234.076</b>	<b>(61.765)</b>	<b>(89.210)</b>	<b>83.101</b>
Financial Derivative Assets	957.928	1.807.942	122.609	2.888.479
Financial Derivative Liabilities	(723.852)	(1.869.707)	(211.819)	(2.805.378)
Non-Cash Loans <sup>(*****)</sup>	800.762	579.223	11.880	1.391.865
<b>Prior Period</b>				
Total Assets	3.883.663	7.218.583	77.073	11.179.319
Total Liabilities	4.284.878	6.878.483	1.200	11.164.561
<b>Net Balance Sheet Position</b>	<b>(401.215)</b>	<b>340.100</b>	<b>75.873</b>	<b>14.758</b>
<b>Net Off –Balance Sheet Position</b>	<b>311.459</b>	<b>(344.066)</b>	<b>(74.677)</b>	<b>(107.284)</b>
Financial Derivative Assets	746.084	699.758	63.998	1.509.840
Financial Derivative Liabilities	(434.625)	(1.043.824)	(138.675)	(1.617.124)
Non-Cash Loans <sup>(*****)</sup>	370.142	640.324	10.756	1.021.222

<sup>(\*)</sup> Exchange rate differences arising from derivative transactions amounting to TL 113.250 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

<sup>(\*\*)</sup> Loans extended include TL 1.302.425 foreign currency indexed loans.

<sup>(\*\*\*)</sup> Prepaid expenses amounting to TL 261 are not included in other assets.

<sup>(\*\*\*\*)</sup> Marketable securities valuation decrease fund amounting to TL 11.288 and exchange rate differences arising from derivative transactions amounting to TL 103.772 have not been included in "Other Liabilities". Borrower funds amounting TL 28.987 based on foreign currencies have been included in "Other Liabilities".

<sup>(\*\*\*\*\*)</sup> 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)

##### V. Explanations related to consolidated currency risk (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
US Dollar	10	(6.769)	(5.248)	779	4.851
Euro	10	(11.755)	(9.217)	205	241
Other	10	220	120	-	-

Decrease in Currency Rate		Effect on Profit / Loss <sup>(*)</sup>		Effect on Equity <sup>(**)</sup>	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	6.769	5.248	(779)	(4.851)
Euro	10	11.755	9.217	(205)	(241)
Other	10	(220)	(120)	-	-

<sup>(\*)</sup> Values expressed are before the tax effect.

<sup>(\*\*)</sup> 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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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Explanations related to consolidated interest rate risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)

Current Period	1 Month	1-3 Months	3-12Months	1-5Years	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	565.428	-	-	-	-	245.695	811.123
Banks	734.646	-	-	-	-	16.899	751.545
Financial Assets at Fair Value Through Profit and Loss	23.811	35.528	95.085	26.162	28.604	381	209.571
Money Market Placements	895.490	185.234	-	-	-	-	1.080.724
Available-for-Sale Financial Assets	400.458	297.496	921.268	743.477	571.249	38.214	2.972.162
Loans	2.069.051	4.096.269	5.490.171	1.563.995	344.646	68.997	13.633.129
Held-to-Maturity Investments	168.466	508.599	38.129	-	157.408	-	872.602
Other Assets	4.819	1.098	3.227	-	-	1.026.580	1.035.724
<b>Total Assets</b>	<b>4.862.169</b>	<b>5.124.224</b>	<b>6.547.880</b>	<b>2.333.634</b>	<b>1.101.907</b>	<b>1.396.766</b>	<b>21.366.580</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.349.479	1.061	-	-	-	-	2.350.540
Miscellaneous Payables	-	-	-	-	-	129.298	129.298
Marketable Securities Issued	-	-	-	2.037.571	-	-	2.037.571
Funds Provided from Other Financial Institutions	3.756.234	4.477.916	2.712.656	1.030.069	1.610.792	-	13.587.667
Other Liabilities <sup>(**)</sup>	54.685	43.100	86.427	18.731	8.483	3.050.078	3.261.504
<b>Total Liabilities</b>	<b>6.160.398</b>	<b>4.522.077</b>	<b>2.799.083</b>	<b>3.086.371</b>	<b>1.619.275</b>	<b>3.179.376</b>	<b>21.366.580</b>
Balance Sheet Long Position	-	602.147	3.748.797	-	-	-	4.350.944
Balance Sheet Short Position	(1.298.229)	-	-	(752.737)	(517.368)	(1.782.610)	(4.350.944)
Off-Balance Sheet Long Position	-	-	430.571	-	-	-	430.571
Off-Balance Sheet Short Position	(378.023)	(91.039)	-	(1.081)	(6.715)	-	(476.858)
<b>Total Position</b>	<b>(1.676.252)</b>	<b>511.108</b>	<b>4.179.368</b>	<b>(753.818)</b>	<b>(524.083)</b>	<b>(1.782.610)</b>	<b>(46.287)</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> Borrower funds amounting to TL 30.677 are presented in "Other Liabilities" within 1-month maturity column.

Average interest rates applied to monetary financial instruments: %

Current Period	Euro	US Dollar	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	-	0,27	-	2,42
Banks	1,26	0,98	-	13,64
Financial Assets at Fair Value Through Profit and Loss	-	-	-	10,34
Money Market Placements	-	-	-	12,93
Available-for-Sale Financial Assets	5,62	4,87	-	10,38
Loans	3,54	4,70	-	11,98
Held-to-Maturity Investments	-	6,00	-	10,04
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,55	0,50	-	10,52
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,24	-	-
Borrower Funds	0,50	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,89	1,60	-	10,84

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VI. Explanations related to consolidated interest rate risk (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	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	31.628	-	-	-	-	476.166	507.794
Banks	387.042	102.480	-	-	-	14.459	503.981
Financial Assets at Fair Value Through Profit and Loss	12.645	18.625	59.392	2.063	-	2.692	95.417
Money Market Placements	65.950	39.256	-	-	-	-	105.206
Available-for-Sale Financial Assets	701.993	733.138	918.699	606.103	521.916	35.768	3.517.617
Loans	1.923.784	3.596.176	3.911.384	1.163.684	199.521	72.440	10.866.989
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets	2.494	68	227	-	-	625.908	628.697
<b>Total Assets</b>	<b>3.125.536</b>	<b>4.489.743</b>	<b>4.889.702</b>	<b>1.771.850</b>	<b>721.437</b>	<b>1.227.433</b>	<b>16.225.701</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.181.969	90.744	-	-	-	-	2.272.713
Miscellaneous Payables	-	-	-	-	-	96.591	96.591
Marketable Securities Issued	-	-	-	813.824	-	-	813.824
Funds Provided from Other Financial Institutions	3.036.838	3.594.842	2.250.201	466.065	919.701	-	10.267.647
Other Liabilities <sup>(**)</sup>	52.533	4.252	43.289	-	2.583	2.672.269	2.774.926
<b>Total Liabilities</b>	<b>5.271.340</b>	<b>3.689.838</b>	<b>2.293.490</b>	<b>1.279.889</b>	<b>922.284</b>	<b>2.768.860</b>	<b>16.225.701</b>
Balance Sheet Long Position	-	799.905	2.596.212	491.961	-	-	3.888.078
Balance Sheet Short Position	(2.145.804)	-	-	-	(200.847)	(1.541.427)	(3.888.078)
Off-Balance Sheet Long Position	59.327	14.268	-	504.062	-	-	577.657
Off-Balance Sheet Short Position	-	-	(562.581)	-	(165.518)	-	(728.099)
<b>Total Position</b>	<b>(2.086.477)</b>	<b>814.173</b>	<b>2.033.631</b>	<b>996.023</b>	<b>(366.365)</b>	<b>(1.541.427)</b>	<b>(150.442)</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> Borrower funds amounting to TL 39.081 are presented in "Other Liabilities" within 1-month maturity column.

Average interest rates applied to monetary financial instruments in prior period: %

Prior Period	Euro	US Dollar	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	-	-	-	1,44
Banks	2,83	0,44	-	11,08
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	10,21
Available-for-Sale Financial Assets	5,60	5,88	-	9,72
Loans	3,83	4,39	-	10,60
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,50	0,68	-	0,57
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,50	0,50	-	6,00
Funds Provided From Other Financial Institutions	1,16	1,15	-	3,31

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VI. Explanations related to consolidated interest rate risk (continued)

###### *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, all Derivative Instruments except 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	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
Currency			
TL	+500 / (400) basis point	(109.504) / 101.850	(%4,16) / %3,87
Euro	+200 / (200) basis point	24.347 / (16.939)	%0,93 / (%0,64)
US Dollar	+200 / (200) basis point	(33.352) / 29.108	(%1,27) / %1,11
<b>Total (for Negative Shocks)</b>		<b>114.019</b>	<b>%4,34</b>
<b>Total (for Positive Shocks)</b>		<b>(118.509)</b>	<b>(%4,50)</b>

Prior Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
Currency			
TL	+500 / (400) basis point	(138.136) / 134.135	(%5,67) / %5,51
Euro	+200 / (200) basis point	14.765 / (6.743)	%0,61 / (%0,28)
US Dollar	+200 / (200) basis point	26.818 / (43.013)	%1,10 / (%1,77)
<b>Total (for Negative Shocks)</b>		<b>84.379</b>	<b>%3,46</b>
<b>Total (for Positive Shocks)</b>		<b>(96.553)</b>	<b>(%3,96)</b>

###### *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, the Board of Directors and the 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 6.334 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 12.759.

The Group's available for sale portfolio in the current period increased approximately by 17% compared to prior period and the market value increased approximately by 16%. In addition to this, foreign exchange assets in the Parent Bank's portfolio are approximately 29% 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 at fair value in accordance with "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.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VII. Explanations related to consolidated stock position risk (continued)

##### 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	258.148	-	156.691	
Quoted	258.148	-	156.691	
Prior Period		Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value	
Investment in Shares-Grade A	239.749	-	167.138	
Quoted	239.749	-	167.138	

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		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(949)	-	(949)
Other Share Certificates	-	3.880	3.880	-	-	-
<b>Total</b>	<b>-</b>	<b>3.880</b>	<b>3.880</b>	<b>(949)</b>	<b>-</b>	<b>(949)</b>
Prior Period		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	1.005	-	1.005
Other Share Certificates	9.922	-	-	-	-	-
<b>Total</b>	<b>9.922</b>	<b>-</b>	<b>-</b>	<b>1.005</b>	<b>-</b>	<b>1.005</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.



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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### VIII. Explanations related to the consolidated liquidity risk (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.

Current Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	241,10	163,89	218,74	150,46
Prior Period	FC	FC + TL	FC	FC + TL
Average (%)	113,68	131,29	108,10	127,81

##### Consolidated liquidity risk management and consolidated liquidity coverage ratio

##### I. Explanations related to the consolidated liquidity risk:

##### 1.a Informations about the governance of consolidated liquidity risk management, including: risk tolerance; structure and responsibilities for consolidated liquidity risk management; internal consolidated liquidity reporting; and communication of consolidated liquidity risk strategy, policies and practices across business lines and with the board of directors

The Parent Bank's risk capacity for liquidity risk is determined by The Parent Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. As per The Regulation on The Calculation of Liquidity Coverage Ratio, minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits while the implementation process is identified by BRSA as setting the limits respectively as 60% and 40% for 2015 and increasing 10 pts per year until 2019 whereas applying this limit as zero per cent for development and investment banks until 2017.

As per the regulation on liquidity adequacy, development and investment banks, including TSKB, are subject to maintaining the liquidity adequacy ratios above 100% and 80% respectively for total and foreign currency limits both on weekly and monthly basis. In addition, the calculated daily over stock values regardless of maturity ratios' basic arithmetic mean includes 14 days may not be less than 7%.

Regarding its risk appetite, in addition to legal limits, the Parent Bank also applies internal limits for monitoring and controlling the liquidity risk. In this context, it is limited by minimum 25% for the ratio of cash inflow to cash outflow, and by minimum 20% for the ratio of the difference between total inflow and total outflow to total asset. It is determined minimum limit as 15% for Liquidity ratio (Liquid Asset/ Total Asset). Also for liquidity adequacy ratios on weekly and monthly basis, the internal limit is set as 110% that is 10% above legal limit.

Internal limits are applied on concentrations basis for single currency, single security and single instrument for the Parent Bank's Treasury placements within Treasury Risk Limits, in purpose of decreasing the liquidity risk related to concentration risk.

Consolidated Liquidity risk management is conducted by Treasury department in line with the strategies set by Asset and Liability Committee within The Risk Management Policies approved by Board of Directors, and is monitored through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Parent Bank, monitoring the implementations and functions under The General Instruction of Asset and Liability Committee Duties and Responsibilities. The committee that constitutes of Chief Executive Officer, Executive Vice Presidents of Corporate Banking, Treasury, Budget Planning and Department Heads of Corporate Banking, Project Finance, Treasury, Development Finance Institutions, Financial Institutions and Budget Planning and Investor Relations evaluates the market, regulations, cashflow and asset and liability management on monthly basis. Budget Planning and Investor Relations Department is responsible for consolidating the reports to be submitted to Committee, organizing, having signed and archiving the Committee moments and informing the Committee members. Beside Budget Planning and Investor Relations Departments, Financial Institutions, Credit Operations, Treasury and Capital Markets Operations, Treasury and Risk Management Departments are also responsible from submitting concerning reports.

The Parent Bank cash management process connotes, within the precedence of fulfilling the future financial obligations and subsequent to credit, placement and borrowing activities, the utilization of the cash position with the highest return in line with the Parent Bank policies and during the liquidity shortfall periods providing funding from the market with the most convenient and low-cost product. Treasury Department carries out this responsibility within the scope of Bank policies, decisions taken in Asset Liability Committees and the limits supplied by Board of Directors. In liquidity shortfall periods, Treasury Department is entitled to provide funding through money market transactions, secured lending or repo transactions. In case of funding except with those products, borrowing transactions are executed with the cooperation of Treasury and Financial Institutions Departments.

The Parent Bank Risk Management Department reports to Board of Directors and Asset and Liability Committee on monthly basis regarding the liquidity gap, the legal limits and the internal limits assigned by Board of Directors. Also liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Committee evaluates the Parent Bank's one year-term cash position under several assumptions and loan facility projections on monthly basis, it determines strategy for fulfilling its financial obligations timely and utilizing the idle funds efficiently.

MIS reportings for the Parent Bank Treasury Department are conducted by Treasury Control Unit under Budget Planning and Investor Relations Department. Within this scope Treasury Control Unit shares liquidity projections for following week's and three months' cashflows on weekly basis. On monthly basis, cashflow projections on local currency and foreign currency are reported to Asset Liability Committee.

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#### SECTION FOUR (Continued)

#### INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the consolidated liquidity risk (continued)

##### *Consolidated liquidity risk management and consolidated liquidity coverage ratio (continued)*

#### I. Explanations related to the consolidated liquidity risk: (continued)

##### 1.b Information on the centralization degree of consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries

There is no liquidity management structure requiring centralization between the Parent Bank and its subsidiaries.

##### 1.c Information on the Parent Bank's funding strategy including the policies on funding types and variety of maturities

Among the main funding sources of the Parent Bank there are investment bank loans, capital market transactions, syndication loans, DFIs, repo transactions and money market transactions and for minimizing the liquidity risk, diversification on maximum scale with those products within the market conditions is pursued. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by Asset Liability Committee.

##### 1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities:

Within the scope of the Parent Bank's balance sheet management, local currency and foreign currency cashflows are monitored diversely. On principal, open position risk is managed actively as a part of liquidity risk management and in context of this strategy required hedging transactions are executed by Treasury Department.

##### 1.d Information on consolidated liquidity risk mitigation techniques:

Consolidated Liquidity limits are defined for the purpose of monitoring and keeping the risk under predefined boundaries. The Parent Bank monitors those limits' utilization and informs Board of Directors, Bank Senior Management and relevant departments regularly. Pursuant to that, the ratio of cash inflows to cash outflows within three months' term is limited to at least 25% whereas for the same term the ratio of the difference between total inflows and total outflows to total assets is limited to at most 20%. The base limit for Liquidity Ratio (Liquid Assets/Total Assets) is defined as 15%. Within those limits, Treasury Department performs the required transactions with the relevant cost and term composition under market conditions from the sources previously defined in Article C. Adequate limits to be utilized in a contingent case remains at the disposal before legal authority.

##### 1.e Information on the use of stress tests:

As part of consolidated liquidity stress tests, the Parent Bank's compatibility with the legal limits under stress conditions is subject to probe. The legal limits assigned for liquidity risk management consists of five ratios derived from The Regulation on Liquidity Adequacy Ratio and liquidity coverage ratio derived from The Regulation on Liquidity Coverage Ratio. Stress tests are performed over those ratios' calculations by practicing liquidity shocks while assuming that the nonshocked components are held constant. Among liquidity stress tests, the risks arising from funding, intraday liquidity, marketable securities and concentration are addressed. Subject to those, the scenarios of possible funding shortage in Interbank Money Market, liquidity shortage that may arise in private sector and the risk originating from loan portfolio due to the concentration risk are applied separately on overall portfolio of the Parent Bank.

##### 1.f General information on urgent and unexpected consolidated liquidity situation plans:

There is a Contingency Funding Plan for the contingent periods that arises beyond the Parent Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cashflow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cashflow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Parent Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Parent Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Parent Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the consolidated liquidity risk (continued)

##### Consolidated liquidity risk management and consolidated liquidity coverage ratio (continued)

#### II. Consolidated liquidity Coverage Ratio

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months consolidated foreign currency and total liquidity coverage ratio and unconsolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

Current Period	Total Unweighted Amounts		Total Weighted Amounts	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets			662.349	566.651
<b>CASH OUTFLOWS</b>				
2 Retail and small business customer deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured funding other than retail and small business customers deposits	846.771	344.742	769.696	268.050
6 Operational deposits	42.819	40.664	10.705	10.166
7 Non-operational deposits	-	-	-	-
8 Other unsecured funding	803.952	304.078	758.991	257.884
9 Secured funding			-	-
10 Other cashflows	1.774.601	1.630.234	1.564.315	1.419.948
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.774.601	1.630.234	1.564.315	1.419.948
12 Debts related to structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	3.353.911	1.152.438	126.005	57.622
15 Other irrevocable or conditionally revocable commitments	4.308.006	4.004.484	598.798	562.384
<b>16 TOTAL CASH OUTFLOWS</b>			<b>3.058.814</b>	<b>2.308.004</b>
<b>CASH INFLOWS</b>				
17 Secured lending transactions	515	-	-	-
18 Unsecured lending transactions	2.092.124	671.847	1.883.917	584.961
19 Other contractual cash inflows	1.681.491	434.107	1.571.819	427.725
<b>20 TOTAL CASH INFLOWS</b>	<b>3.774.130</b>	<b>1.105.954</b>	<b>3.455.736</b>	<b>1.012.686</b>
			<b>Total Adjusted Value</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>702.829</b>	<b>595.565</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>764.704</b>	<b>1.295.318</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>92</b>	<b>46</b>

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the liquidity risk (continued)

*Consolidated liquidity risk management and consolidated liquidity coverage ratio (continued)*

#### II. Consolidated liquidity Coverage Ratio (continued)

Prior Period	Total Unweighted Amounts		Total Weighted Amounts	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets			805.228	378.548
<b>CASH OUTFLOWS</b>				
2 Retail and small business customer deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured funding other than retail and small business customers deposits	621.093	195.787	582.164	144.368
6 Operational deposits	26.727	24.581	6.681	6.146
7 Non-operational deposits	-	-	-	-
8 Other unsecured funding	594.366	171.206	575.483	138.222
9 Secured funding			-	-
10 Other cashflows	1.701.869	1.241.416	1.701.868	1.240.405
11 Liquidity needsrelated to derivatives and market valuation changes on derivatives transactions	1.701.869	1.241.416	1.701.868	1.240.405
12 Debts related to structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by yhe Bank and other contractual commitments	1.316.316	366.203	120.733	54.202
15 Other irrevocable or conditionally revocable commitments	3.527.099	2.762.773	314.373	254.142
<b>16 TOTAL CASH OUTFLOWS</b>			<b>2.719.138</b>	<b>1.693.117</b>
<b>CASH INFLOWS</b>				
17 Secured lending transactions	516	-	-	-
18 Unsecured lending transactions	1.366.640	391.687	1.100.625	330.266
19 Other contractual cash inflows	1.665.951	1.397.670	1.571.046	1.397.670
<b>20 TOTAL CASH INFLOWS</b>	<b>3.033.107</b>	<b>1.789.357</b>	<b>2.671.671</b>	<b>1.727.936</b>
<b>Total Adjusted Value</b>				
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>799.397</b>	<b>357.759</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>679.785</b>	<b>423.279</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>118</b>	<b>85</b>

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the consolidated liquidity risk (continued)

##### *Consolidated liquidity risk management and consolidated liquidity coverage ratio (continued)*

#### III. Explanations from the Parent Bank's about consolidated liquidity ratio

**3.a Significant factors** impacts the result of consolidated liquidity coverage ratio and change in time of the items are taken into account in calculation of this ratio.

Borrowing Securities that mainly comprised of government securities and Required Reserves are major components of High Quality Liquid Assets that affect consolidated Liquidity Coverage Ratio essentially. Depending on the market conditions and the Parent Bank's Treasury Department's decisions the proportion of local currency and foreign currency based securities within Borrowing Securities may vary.

**3.b The explanation is about** from which elements the High Quality Liquid Assets Consist

High Quality Liquid Assets mainly comprises of exposure to Central Bank, that is Required Reserves and Borrowing Securities, that are government securities.

**3.c Items which procure fund and intensity of funds in all funds**

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67% while 88% of it is provided under the guarantee of The Undersecretariat of Treasury of Turkish Republic. The average tenor of long term loans is 11 years. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 16%. 17% of the Parent Bank's total funding is attained through repo transactions.

**3.ç Cash outflows generating derivative transactions and informations about transactions are liable to warrant completing**

The Parent Bank's derivative transactions are mainly executed with the counterparties having ISDA and CSA agreements due to the client transactions and position hedging within Bank's balance sheet management. Those transactions are monitored through market valuation of the transactions with each of the counterparties. Collateralization with counterparties is executed on daily basis.

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

The funding sources of the Parent Bank, that's main business area is development banking, are international development banks and financial institutions in general. On counterparty and product basis there is no concentration limit.

**3.e Taking into account the legal and operational consolidated liquidity transfer inhibiting factors, the needed funds and the consolidated liquidity risk exposure based on Banks itself, the branches in foreign countries and consolidated partnerships.**

None.

**3.f Taken in the calculation of consolidated liquidity coverage ratio but not included in the disclosure template in the second paragraph and the information regarding the other cash inflows and cash outflows** items which are thought to be related to the Parent Bank's consolidated liquidity profile.

None.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the consolidated liquidity risk (continued)

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	245.695	565.428	-	-	-	-	-	811.123
Banks	16.899	734.645	1	-	-	-	-	751.545
Financial Assets at Fair Value Through Profit and Loss	381	8.589	21.165	44.434	38.525	96.477	-	209.571
Money Market Placements	-	895.490	185.234	-	-	-	-	1.080.724
Financial Assets Available-for-Sale	-	25.931	69.032	449.359	1.231.968	1.157.658	38.214	2.972.162
Loans	68.997	442.477	633.430	2.631.399	6.949.510	2.907.316	-	13.633.129
Held-to-Maturity Investments	-	-	-	-	26.933	845.669	-	872.602
Other Assets	-	5.051	-	-	3.116	977	1.026.580	1.035.724
<b>Total Assets</b>	<b>331.972</b>	<b>2.677.611</b>	<b>908.862</b>	<b>3.125.192</b>	<b>8.250.052</b>	<b>5.008.097</b>	<b>1.064.794</b>	<b>21.366.580</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	513.366	173.949	1.803.151	5.253.487	5.843.714	-	13.587.667
Money Market Borrowings	-	2.349.479	1.061	-	-	-	-	2.350.540
Securities Issued	-	-	-	-	2.037.571	-	-	2.037.571
Miscellaneous Payables	-	-	-	-	-	-	129.298	129.298
Other Liabilities <sup>(**)</sup>	-	42.206	26.880	54.369	44.744	43.227	3.050.078	3.261.504
<b>Total Liabilities</b>	<b>-</b>	<b>2.905.051</b>	<b>201.890</b>	<b>1.857.520</b>	<b>7.335.802</b>	<b>5.886.941</b>	<b>3.179.376</b>	<b>21.366.580</b>
<b>Liquidity Gap</b>	<b>331.972</b>	<b>(227.440)</b>	<b>706.972</b>	<b>1.267.672</b>	<b>914.250</b>	<b>(878.844)</b>	<b>(2.114.582)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(4.506)</b>	<b>(9.660)</b>	<b>(18.966)</b>	<b>(15.589)</b>	<b>2.434</b>	<b>-</b>	<b>(46.287)</b>
Financial Derivative Assets	-	-	-	-	-	2.434	-	2.434
Financial Derivative Liabilities	-	(4.506)	(9.660)	(18.966)	(15.589)	-	-	(48.721)
Non-Cash Loans <sup>(***)</sup>	-	7.770	6.596	173.789	707.238	586.622	300.649	1.782.664
<b>Prior Period</b>								
Total Assets	124.217	1.612.753	711.609	2.046.903	6.938.440	4.130.103	661.676	16.225.701
Total Liabilities	10.415	2.661.905	345.591	982.298	4.819.785	4.647.262	2.758.445	16.225.701
<b>Liquidity Gap</b>	<b>113.802</b>	<b>(1.049.152)</b>	<b>366.018</b>	<b>1.064.605</b>	<b>2.118.655</b>	<b>(517.159)</b>	<b>(2.096.769)</b>	<b>-</b>
<b>Net Off -Balance Sheet Position</b>	<b>-</b>	<b>(156.006)</b>	<b>1.149</b>	<b>4.010</b>	<b>(257)</b>	<b>-</b>	<b>-</b>	<b>(151.105)</b>
Financial Derivative Assets	-	2.514	2.969	4.010	3.037	-	-	12.529
Financial Derivative Liabilities	-	(158.520)	(1.820)	-	(3.294)	-	-	(163.634)
Non-Cash Loans <sup>(****)</sup>	-	79.896	23.976	53.268	650.696	374.242	270.989	1.453.069

<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 Parent 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> Borrower funds amounting to TL 30.677 are presented in "Other Liabilities" within 1-month maturity column.

<sup>(\*\*\*\*)</sup> Has no effect on net off-balance sheet position.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the consolidated liquidity risk (continued)

##### Consolidated Leverage Ratio

##### a) Information about the change in consolidated leverage ratio between current and prior periods

The main reason of change in consolidated leverage ratio between the current and prior period is increase of balance sheet assets. Total balance sheet asset increased by 33,36% compare to prior period.

##### b) Comparison Chart of the total assets in the consolidated financial statements prepared in accordance with TAS and the total risk

	Prior Period <sup>(*)</sup>	Current Period <sup>(*)</sup>
1 Total assets in the consolidated financial statement prepared in accordance with TAS <sup>(**)</sup>	16.201.292	19.267.261
Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks	(24.409)	7.191
2 Differences between the balances of derivative financial instruments and the loan derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(57.214)	(166.296)
3 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	1.897.875	2.643.939
4 Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.061.336)	(3.342.558)
5 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
6 Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
7 Total Risk	18.130.314	24.925.783

<sup>(\*)</sup>The arithmetic average of the last three months in the related periods.

<sup>(\*\*)</sup>The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks. 30 June 2015 figures used in this table due to the current period consolidated financial statements prepared in accordance with TAS are not audited as of the date of this report.

##### c) Consolidated Leverage ratio

	Prior Period <sup>(*)</sup>	Current Period <sup>(*)</sup>
<b>Balance sheet exposures</b>		
1 Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	15.475.059	20.917.973
2 (Assets amounts deducted in determining Tier 1 capital)	(3.822)	(144.252)
3 Total balance sheet exposures	<b>15.471.237</b>	<b>20.773.721</b>
<b>Derivative financial instruments and loan derivatives</b>		
4 Replacement cost of derivative financial instruments and loan derivatives	73.871	202.409
5 Potential loan risk of derivative financial instruments and loan derivatives	58.217	133.681
6 Total derivative financial instruments and loan derivatives exposure	<b>132.088</b>	<b>336.090</b>
<b>Securities financing transaction exposure</b>		
7 Total risk of gross securities financing transactions (excluding balance sheet exposure)	227.898	384.493
8 Agent transactions exposures	5.105	89.710
9 Total securities financing transaction exposures	<b>233.003</b>	<b>474.203</b>
<b>Off-balance sheet items</b>		
10 Off-balance sheet exposure at gross notional amount	4.355.322	6.684.327
11 (Adjustments for conversion to credit equivalent amounts)	(2.061.336)	(3.342.558)
12 Total risk of off-balance sheet items	<b>2.293.986</b>	<b>3.341.769</b>
<b>Capital and total exposure</b>		
13 Tier 1 capital	2.388.380	2.724.147
14 Total exposures	18.130.314	24.925.783
<b>Leverage Ratio</b>		
<b>15 Leverage Ratio</b>	<b>13,17%</b>	<b>10,93%</b>

<sup>(\*)</sup> The arithmetic average of the last three months in the related periods.

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations related to the consolidated liquidity risk (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	634.926	186.921	1.908.283	5.661.759	6.225.978	(1.030.201)	13.587.666
Money Market Borrowings	2.352.030	1.070	-	-	-	(2.560)	2.350.540
Marketable Securities Issued	-	-	106.393	2.371.638	-	(440.460)	2.037.571
Funds	30.677	-	-	-	-	-	30.677
<b>Total</b>	<b>3.017.633</b>	<b>187.991</b>	<b>2.014.676</b>	<b>8.033.397</b>	<b>6.225.978</b>	<b>(1.473.221)</b>	<b>18.006.454</b>

Prior 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	446.733	262.726	1.030.870	4.331.378	4.855.915	(659.975)	10.267.647
Money Market Borrowings	2.183.520	90.822	-	-	-	(1.629)	2.272.713
Funds	-	-	43.724	980.201	-	(210.101)	813.824
<b>Total</b>	<b>39.081</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.081</b>
<b>Prior Period</b>	<b>2.669.334</b>	<b>353.548</b>	<b>1.074.594</b>	<b>5.311.579</b>	<b>4.855.915</b>	<b>(871.705)</b>	<b>13.393.265</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	3.096.099	143.955	1.038.302	6.508.089	6.509.727	(22.553)	17.273.619
Forward Contracts	88.494	12.924	37.447	268.223	-	-	407.088
Futures Transactions	-	-	-	-	-	-	-
Options	91.552	789.940	1.383.780	211.276	-	-	2.476.548
Other	-	-	89.210	-	-	-	89.210
<b>Total</b>	<b>3.276.145</b>	<b>946.819</b>	<b>2.548.739</b>	<b>6.987.588</b>	<b>6.509.727</b>	<b>(22.553)</b>	<b>20.246.465</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	1.509.858	651.579	615.593	3.436.171	1.873.930	(62.545)	8.024.586
Forward Contracts	5.761	43.985	-	-	-	-	49.746
Futures Transactions	-	-	-	-	-	-	-
Options	542.833	65.876	878.222	-	-	-	1.486.931
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>2.058.452</b>	<b>761.440</b>	<b>1.493.815</b>	<b>3.436.171</b>	<b>1.873.930</b>	<b>(62.545)</b>	<b>9.561.263</b>

#### IX. Explanations related to consolidated securitization positions risk

None.



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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 2015, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used. As of 31 December 2015 risk amounts which credit risk mitigation techniques are used are shown below the table according to risk types.

##### Collaterals according to risk classifications

Current Period	Amount <sup>(*)</sup>	Financial Collaterals	Other/ Physical Collaterals	Guarantees and credit derivatives
<b>Risk Types</b>				
Contingent and non-contingent claims on sovereigns	4.655.888	150.213	-	-
Contingent and non-contingent claims on regional governments and local authorities	3.069	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprise	6.266	1.541	-	-
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	6.959.734	2.440.099	-	-
Contingent and non-contingent claims on corporates	17.237.401	36.258	-	-
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-
Contingent and non-contingent claims secured by real estate property	793.209	-	-	-
Past due loans	-	-	-	-
Higher-risk categories defined by agency	170	-	-	-
Securities secured by mortgage	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims on banks and corporate	-	-	-	-
Undertakings for collective investments in transferable securities	1.654	-	-	-
Other claims	885.080	74.324	-	-
<b>Total</b>	<b>30.542.471</b>	<b>2.702.435</b>	<b>-</b>	<b>-</b>

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

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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 (continued)

*Collaterals according to risk classifications (continued)*

Prior Period	Amount <sup>(*)</sup>	Financial Collaterals	Other / Physical Collaterals	Guarantees and credit derivatives
<b>Risk Types</b>				
Contingent and non-contingent claims on sovereigns	3,670,061	97,878	-	-
Contingent and non-contingent claims on regional governments and local authorities	3,070	-	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprise	3,188	47	-	-
Contingent and non-contingent claims on multilateral development banks	3,063	-	-	-
Contingent and non-contingent claims on international organizations	-	-	-	-
Contingent and non-contingent claims on banks and capital market intermediary	4,293,420	2,130,644	-	-
Contingent and non-contingent claims on corporates	14,330,580	53,138	-	2,688
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-	-	-
Contingent and non-contingent claims secured by real estate property	431,865	-	-	-
Past due loans	-	-	-	-
Higher-risk categories defined by agency	46	-	-	-
Securities secured by mortgage	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims on banks and corporate	-	-	-	-
Undertakings for collective investments in transferable securities	2,071	-	-	-
Other claims	633,208	61,563	-	-
<b>Total</b>	<b>23,370,572</b>	<b>2,343,270</b>	<b>-</b>	<b>2,688</b>

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

#### Main guarantors and their credibility

None.

#### 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 Parent Bank determine and regularly review the risk level that the Bank is willing to bear to achieve its objectives, considering the risk capacity of the 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, the Bank's Risk Management Department, continues its activities reporting to 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 Department 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 Department 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 Parent Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations.

At the 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.

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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 (continued)

###### *Credit risk management policy (continued)*

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. The 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.

###### *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 Department is 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 Parent 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 Parent 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" method. The Bank's Risk Management Department is 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 Parent 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 Parent Bank's Risk Management Department is 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.

The Parent Bank uses IRS or other derivative instruments in order to hedge fixed/floating interest risks or other market price risks. The Bank applies hedge accounting in accordance with the decisions of Asset Liability Management Committee to prevent volatility in the financial statements of having different measurement and valuation methods and accounting periods. The Bank could prefer one of the appropriate methods permitted by the accounting standards under finance hedge accounting. In case of deciding to apply hedge accounting, the Bank oversees the determination of hedging relationship, hedging risk, hedging instruments also regular efficiency test and documentation with respect to accounting standards. In this regard, efficiency test and documentation are performed by the Committee to be established for this purpose and the custody of documentation fulfil by Financial Control Department.

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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 (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.

The 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>19.310.162</b>	<b>14.993.793</b>	<b>19.423.133</b>	<b>15.044.825</b>
Money Market Placements	1.080.724	105.206	1.080.724	105.206
Banks	751.545	503.981	751.545	503.981
Available-For-Sale Financial Assets	2.972.162	3.517.617	2.972.162	3.517.617
Held-To-Maturity Investments	872.602	-	872.602	-
Loans <sup>(i)</sup>	13.633.129	10.866.989	13.746.100	10.918.021
<b>Financial Liabilities</b>	<b>18.135.753</b>	<b>13.489.856</b>	<b>18.147.298</b>	<b>13.508.759</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	15.968.884	12.579.441	15.968.884	12.579.441
Marketable Securities Issued	2.037.571	813.824	2.049.116	832.727
Miscellaneous Payables	129.298	96.591	129.298	96.591

<sup>(i)</sup> Loans include financial lease receivables.

- 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.
- iv- For the fair value calculation of marketable securities, market 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);

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#### SECTION FOUR (Continued)

#### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XII. Explanations related to presentation of financial assets and liabilities by fair value (continued)

c) Inputs for the asset or liability that are not based on observable market data (Level 3).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets Held for Trading	39.779	169.794	-
Financial Assets Available For Sale	1.890.450	1.063.795	14.533
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	174.950	-
<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	22.606	76.937	-
Financial Assets Available For Sale	2.569.696	923.763	24.158
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	63.576	-

#### 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	21	-	14	-
Balances with the Central Bank of Turkey	40.426	770.676	31.628	476.152
Other	-	-	-	-
<b>Total</b>	<b>40.447</b>	<b>770.676</b>	<b>31.642</b>	<b>476.152</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	40.426	3.437	31.628	2.984
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other <sup>(1)</sup>	-	767.239	-	473.168
<b>Total</b>	<b>40.426</b>	<b>770.676</b>	<b>31.628</b>	<b>476.152</b>

<sup>(1)</sup> Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 "Reserve Deposits" of Central Bank of Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-days periods. In accordance with the related communiqué, no interest is paid for reserve requirements. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

In accordance with the regulation issued at 27 January 2015, CBRT has began to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. As of 5 May 2015, the CBRT has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 2 May 2015.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 1.b Information related to the account of the Central Bank of Turkey:

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of CBRT, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at CBRT based on rates mentioned below. Reserve rates prevailing at 31 December 2015 are presented in table below:

Reserve Rates for TL Liabilities (%)		
Original maturity	Required Reserve rate	
Other liabilities until 1 year maturity (1 year include)	11,5	
Other liabilities until 3 year maturity (3 year include)	8	
Other liabilities more than 3 year maturity	5	
Reserve Rates for Foreign Currency Liabilities (%)		
Original maturity	Required Reserve rate	Required Reserve rate
	If the fund borrowed before 28 August 2015 <sup>(*)</sup>	If the fund borrowed after 28 August 2015 <sup>(*)</sup>
Other liabilities until 1 year maturity (1 year include)	20	25
Other liabilities until 1-2 year maturity (2 year include)	14	20
Other liabilities until 2-3 year maturity (3 year include)	8	15
Other liabilities until 3-5 year maturity (5 year include)	7	7
Other liabilities more than 5 year maturity	6	5

##### 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 blockage:

As of the reporting date, the Group's trading securities given as collateral or blockage amounted to TL 2.544 (31 December 2014: TL 7.878).

##### 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 2014: TL 293).

##### 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 blockage:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2014: 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 2014: None).

##### 2.b Positive differences related to derivative financial assets held-for-trading:

Derivative Instruments Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	769	2.606	91	28
Swap Transactions	9.239	83.584	18.292	35.307
Futures Transactions	-	-	-	-
Options	-	73.596	-	21.156
Other	-	-	-	-
<b>Total</b>	<b>10.008</b>	<b>159.786</b>	<b>18.383</b>	<b>56.491</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 3. Information on banks and foreign bank accounts

##### 3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	72.617	641.420	208.217	290.053
Foreign	-	37.508	-	5.711
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>72.617</b>	<b>678.928</b>	<b>208.217</b>	<b>295.764</b>

##### 3.b Information on banks and foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	3.514	3.857	-	-
USA, Canada	3.782	763	-	-
OECD Countries <sup>(*)</sup>	30.212	1.091	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>37.508</b>	<b>5.711</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> OECD countries other than European Union countries, USA and Canada.

##### 4. Information on financial assets available-for-sale

##### 4.a.1 Available-for-sale financial assets subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1.506.099	-	2.016.726	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	76.662	-	307.313
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.506.099</b>	<b>76.662</b>	<b>2.016.726</b>	<b>307.313</b>

##### 4.a.2 Information on available-for-sale financial assets given as collateral or blockage:

All financial assets available for sale given as collateral comprise of financial assets are issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 737.201 (31 December 2014: TL 251.539).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	259.298	477.903	183.982	67.557
Other	-	-	-	-
<b>Total</b>	<b>259.298</b>	<b>477.903</b>	<b>183.982</b>	<b>67.557</b>

##### 4.b Major types of available for sale financial assets:

Available for sale financial assets comprise government bonds 60,33%, Eurobonds 27,97% and shares and other securities 11,70% (31 December 2014: government bonds 70,82%, Eurobonds 15,07% and shares and other securities 14,11%).

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 4. Information on available-for-sale financial assets (continued)

##### 4.c Information on available-for-sale financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	2.967.995	3.482.152
Quoted on a stock exchange	2.106.882	2.929.125
Unquoted	861.113	553.027
Share certificates	48.065	45.293
Quoted on a stock exchange	10.533	11.642
Unquoted	37.532	33.651
Impairment provision(-)	(43.898)	(9.828)
<b>Total</b>	<b>2.972.162</b>	<b>3.517.617</b>

The net book value of unquoted available for sale share certificates is TL 28.037 (31 December 2014: TL 24.158).

##### 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	84.840	117.412	84.174	117.412
Corporate shareholders	84.840	117.412	84.174	117.412
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	228	-	131	-
<b>Total</b>	<b>85.068</b>	<b>117.412</b>	<b>84.305</b>	<b>117.412</b>

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
Current Period	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	13.419.397	44.435	-	144.735	54.275	64.267
Corporation loans	4.441.986	-	-	8.867	8.867	-
Export loans	115.914	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.677.116	-	-	-	-	-
Consumer loans	228	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	7.184.153	44.435	-	135.868	45.408	64.267
Specialized loans	-	-	-	-	-	-
Other receivables	68.997	-	-	-	-	-
<b>Total</b>	<b>13.488.394</b>	<b>44.435</b>	<b>-</b>	<b>144.735</b>	<b>54.275</b>	<b>64.267</b>



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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****5. Explanations on loans (continued)****5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):**

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
Prior Period	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
Cash Loans						
Non-specialized loans	10.630.981	37.676	-	163.568	98.901	35.849
Corporation loans	3.737.157	-	-	10.468	5.332	
Export loans	68.340	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.303.613	-	-	-	-	-
Consumer loans	131	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	5.521.740	37.676	-	153.100	93.569	35.849
Specialized loans	-	-	-	-	-	-
Other receivables	72.440	-	-	-	-	-
Total	10.703.421	37.676	-	163.568	98.901	35.849
Current Period				Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring	
Number of amendments related to the extension of the payment plan						
Extended for 1 or 2 times				44.435		54.275
Extended for 3-4 or 5 times				-		-
Extended for more than 5 times				-		-
Prior Period				Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring	
Number of amendments related to the extension of the payment plan						
Extended for 1 or 2 times				37.676		98.901
Extended for 3,4 or 5 times				-		-
Extended for more than 5 times				-		-
Current Period				Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring	
The time extended via the amendment on payment plan						
0-6 Months				-		-
6 Months - 12 Months				-		-
1-2 Years				-		40.472
2-5 Years				44.435		-
5 Years and Over				-		13.803

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Prior Period</b>		
<b>The time extended via the amendment on payment plan</b>		
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	84.237
2-5 Years	37.676	-
5 Years and Over	-	14.664

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 four loan customers which are followed under Loans and Other Receivables Under Close Monitoring and which have been extended more than 1 year and also provided general loan loss provision at a rate of 2,5% for one loan customer which is followed under standard loans 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	687.690	-	-	-
Non-specialized loans	618.693	-	-	-
Specialized loans	-	-	-	-
Other receivables	68.997	-	-	-
Medium and Long-term loans	12.800.704	44.435	144.735	118.542
Non-specialized loans	12.800.704	44.435	144.735	118.542
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Prior Period</b>				
Short-term loans and other receivables	1.320.048	-	-	-
Non-specialized loans	1.247.608	-	-	-
Specialized loans	-	-	-	-
Other receivables	72.440	-	-	-
Medium and Long-term loans	9.383.373	37.676	163.568	134.750
Non-specialized loans	9.383.373	37.676	163.568	134.750
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the assets (continued)

##### 5. Explanations on loans (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	55	173	228
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	55	173	228
Other	-	-	-
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>55</b>	<b>173</b>	<b>228</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (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	75	56	131
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	75	56	131
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>75</b>	<b>56</b>	<b>131</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (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 2014: None).

##### 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	32.171	52.621
Private	13.600.958	10.814.368
<b>Total</b>	<b>13.633.129</b>	<b>10.866.989</b>

##### 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	13.546.380	10.813.544
Foreign Loans	86.749	53.445
<b>Total</b>	<b>13.633.129</b>	<b>10.866.989</b>

##### 5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	340.358	119.901
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>340.358</b>	<b>119.901</b>

##### 5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	3.603	4.456
Loans and receivables with doubtful collectability	-	-
Uncollectible loans and receivables	57.414	13.982
<b>Total</b>	<b>61.017</b>	<b>18.438</b>

The Parent Bank allocates 100 % provision for all non-performing loans regardless of the collaterals.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

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	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	-	5.395
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	5.395
<b>Prior Period</b>			
(Gross amounts before provisions)	-	-	3.433
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	3.433

5.j.2 Movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Prior Period End Balance</b>	<b>4.456</b>	<b>-</b>	<b>13.982</b>
Additions (+)	43.354	-	744
Transfers from Other Categories of Non-performing Loans (+)	-	43.334	43.334
Transfers to Other Categories of Non-performing Loans (-)	(43.334)	(43.334)	-
Collections (-)	(844)	-	(646)
Write-offs (-)	(29)	-	-
Corporate and Commercial Loans	(29)	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	<b>3.603</b>	<b>-</b>	<b>57.414</b>
Specific Provisions (-)	(3.603)	-	(57.414)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

5.j Information on non-performing loans (net) (continued):

5.j.2 Movement of non-performing loans (continued):

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Prior Period</b>			
<b>Prior Period End Balance</b>	<b>17.327</b>	<b>6.378</b>	<b>13.681</b>
Additions (+)	9.891	102	815
Transfers from Other Categories of Non-performing Loans (+)	-	20.933	6.378
Transfers to Other Categories of Non-performing Loans (-)	(20.933)	(6.378)	-
Collections (-)	(1.829)	(21.035)	(6.849)
Write-offs (-)	-	-	(43)
Corporate and Commercial Loans	-	-	(1)
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	(42)
<b>Current Period End Balance</b>	<b>4.456</b>	<b>-</b>	<b>13.982</b>
Specific Provisions (-)	(4.456)	-	(13.982)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	1.651	-	38
Specific Provision (-)	(1.651)	-	(38)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>			
Period End Balance	1.991	-	52
Specific Provision (-)	(1.991)	-	(52)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.j Information on non-performing loans (net) (continued):

##### 5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	3.603	-	57.376
Specific Provision Amount (-)	(3.603)	-	(57.376)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	38
Specific Provision Amount (-)	-	-	(38)
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	4.456	-	13.978
Specific Provision Amount (-)	(4.456)	-	(13.978)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	4
Specific Provision Amount (-)	-	-	(4)
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.

##### 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.



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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Explanations on loans (continued)

##### 5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	11.380.224	2.168.539	228	68.997	13.617.988
Past due not impaired	3.848	11.293	-	-	15.141
Individually impaired	19.348	40.057	-	1.612	61.017
<b>Total</b>	<b>11.403.420</b>	<b>2.219.889</b>	<b>228</b>	<b>70.609</b>	<b>13.694.146</b>
Less: allowance for individually impaired loans	(19.348)	(40.057)	-	(1.612)	(61.017)
<b>Total allowance for impairment</b>	<b>(19.348)</b>	<b>(40.057)</b>	<b>-</b>	<b>(1.612)</b>	<b>(61.017)</b>
<b>Net Loan Amount</b>	<b>11.384.072</b>	<b>2.179.832</b>	<b>228</b>	<b>68.997</b>	<b>13.633.129</b>
Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	9.006.463	1.731.353	131	72.440	10.810.387
Past due not impaired	11.913	44.689	-	-	56.602
Individually impaired	14.452	2.488	-	1.498	18.438
<b>Total</b>	<b>9.032.828</b>	<b>1.778.530</b>	<b>131</b>	<b>73.938</b>	<b>10.885.427</b>
Less: allowance for individually impaired loans	(14.452)	(2.488)	-	(1.498)	(18.438)
<b>Total allowance for impairment</b>	<b>(14.452)</b>	<b>(2.488)</b>	<b>-</b>	<b>(1.498)</b>	<b>(18.438)</b>
<b>Net Loan Amount</b>	<b>9.018.376</b>	<b>1.776.042</b>	<b>131</b>	<b>72.440</b>	<b>10.866.989</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 2015</b>	<b>(14.452)</b>	<b>(2.488)</b>	<b>-</b>	<b>(1.498)</b>	<b>(18.438)</b>
Charge for the year	(5.506)	(37.882)	-	(710)	(44.098)
Recoveries	581	313	-	596	1.490
Amounts written off	29	-	-	-	29
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2015</b>	<b>(19.348)</b>	<b>(40.057)</b>	<b>-</b>	<b>(1.612)</b>	<b>(61.017)</b>
	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2014</b>	<b>(12.364)</b>	<b>(23.901)</b>	<b>-</b>	<b>(1.121)</b>	<b>(37.386)</b>
Charge for the year	(2.473)	(7.609)	-	(726)	(10.808)
Recoveries	385	29.021	-	307	29.713
Amounts written off	-	1	-	42	43
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2014</b>	<b>(14.452)</b>	<b>(2.488)</b>	<b>-</b>	<b>(1.498)</b>	<b>(18.438)</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Information on loans (continued)

##### 5.m Other explanations and disclosures (continued):

A breakdown of the allowance for impairment losses is given below;

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(19.348)	(40.057)	-	(1.612)	(61.017)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	19.348	40.057	-	1.612	61.017
Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(14.452)	(2.488)	-	(1.498)	(18.438)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	14.452	2.488	-	1.498	18.438

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
<b>At 1 January</b>	<b>18.438</b>	<b>37.386</b>
Charge for the year	44.098	10.808
Recoveries	(1.490)	(29.713)
Amounts written off	(29)	(43)
Interest accrued on impaired loans and other receivables	-	-
<b>At 31 December</b>	<b>61.017</b>	<b>18.438</b>
Individual impairment	(61.017)	(18.438)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	61.017	18.438

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	3.848	-	-	-	3.848
SME Loans	-	11.293	-	-	11.293
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>3.848</b>	<b>11.293</b>	<b>-</b>	<b>-</b>	<b>15.141</b>
Prior Period	Less than 30 Days	31- 60 Days	61- 90 Days	Over 91 Days	Total
Loans and Receivables					
Corporate Loans	-	6.778	5.135	-	11.913
SME Loans	952	43.737	-	-	44.689
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>952</b>	<b>50.515</b>	<b>5.135</b>	<b>-</b>	<b>56.602</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 5. Information on loans (continued)

##### 5.m Other explanations and disclosures (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	11.230	-
Financial assets	-	-
Other (bailment, pledge and charge on ship and vehicle)	-	54.414
<b>Total</b>	<b>11.230</b>	<b>54.414</b>

Loans and other receivables amounting to TL 9.992.711 have floating interest rates (31 December 2014: TL 8.340.727) and the remaining TL 3.640.418 have fixed interest rates (31 December 2014: TL 2.526.262).

##### 6. Information on held-to-maturity investments

##### 6.1 The information was subjected to repo transactions and given as collateral/blocked amount of investments

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	-	-	-
Subject to Repurchase Agreements	714.229	-	-	-
<b>Total</b>	<b>714.229</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 6.2 Information on public sector debt investments held-to-maturity

	Current Period	Prior Period
Government Bonds	872.602	-
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>872.602</b>	<b>-</b>

##### 6.3 Information on held-to-maturity investments

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	715.194	-
Not Quoted	157.408	-
<b>Impairment provision (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>872.602</b>	<b>-</b>

##### 6.4 Movement of held-to-maturity investments within the year

	Current Period	Prior Period
Balance at Beginning of the Period	-	-
Foreign Currency Differences on Monetary Assets	(789)	-
Purchases During The Period <sup>(7)</sup>	851.290	-
Disposals Through Sales And Redemptions	(5.832)	-
Impairment Provision (-)	-	-
Interest Income Accruals	27.933	-
<b>Balance at End of Period</b>	<b>872.602</b>	<b>-</b>

<sup>(7)</sup> The Parent Bank reclassified "Government Bond with CPI Index" with a nominal value of TL 533.626 and "Eurobond" with nominal value of USD 34.577 from available-for-sale to held-to-maturity portfolio in the current period.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 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)	Istanbul/Turkey	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

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
1	Terme <sup>(*)</sup>	15.589	3.613	287	331	-	75	93	-
2	Ege Tarım <sup>(*)</sup>	11.427	11.389	8.388	91	-	(172)	(946)	-

<sup>(\*)</sup> Represents for the period ended 30 September 2015 financial statements. Prior year profit/loss is obtained from 30 September 2014 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

In the current period the Group has not purchased any associates.

##### 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)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,33
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	68,78

		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	1.978.756	99.831	560	125.258	-	24.167	7.938	-
2	İş Finansal	3.655.849	692.343	16.575	270.926	54	81.481	72.194	122.527
3	İş Girişim <sup>(*)</sup>	260.897	257.959	273	7.140	4.940	3.625	13.075	20.405

<sup>(\*)</sup> Represent for the period ended 30 September 2015.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 7. Information on investments in associates (net) (continued)

##### 7.a.3 Information on the consolidated associates (continued):

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>261.745</b>	<b>234.988</b>
Movements During the Period	30.243	26.757
Purchases	927	2.727
Bonus Shares Received	-	-
Current Year Share of Profit	35.279	27.136
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	(5.963)	(3.106)
<b>Balance at the End of the Period</b>	<b>291.988</b>	<b>261.745</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 purchased TL 23.500 nominal shares amounting to an increase of capital TL 5.110 from İş Factoring A.Ş.

Besides, İş Leasing A.Ş. capital was increased from TL 461.503 to TL 530.303 in the current period. The Parent Bank has obtained bonus shares amounts to TL 19.650 as a result of bonus shares increase.

##### 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	44.018	33.607
Leasing Companies	203.964	182.998
Financial Service Companies	-	-
Other Financial Associates	44.006	45.140

##### 7.a.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	247.970	228.138
Associates Quoted on Foreign Stock Markets	-	-

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 8. Information related to subsidiaries (net)

##### 8.a.1 Information related to equity component of subsidiaries:

	YFAŞ <sup>(*)</sup>	TSKB GYO <sup>(*)</sup>
	Current Period	Current Period
<b>CORE CAPITAL</b>		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	4.730	5.721
Other Comprehensive Income according to TAS	(73)	(27)
Current and Prior Years' Profit / Loss	2.855	68.024
Leasehold Improvements (-)	(1.231)	-
Intangible Assets (-)	(344)	(21)
<b>Total Core Capital</b>	<b>70.212</b>	<b>224.290</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>70.212</b>	<b>224.290</b>

<sup>(\*)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2015.

	YFAŞ <sup>(*)</sup>	TSKB GYO <sup>(*)</sup>
	Prior Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	4.730	5.696
Other Comprehensive Income according to TAS	(396)	-
Current and Prior Years' Profit / Loss	5.049	55.643
Leasehold Improvements (-)	(1.439)	-
Intangible Assets (-)	(463)	(15)
<b>Total Core Capital</b>	<b>71.756</b>	<b>211.917</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>71.756</b>	<b>211.917</b>

<sup>(\*)</sup> The information is obtained from financial statements subject to consolidation as of 31 December 2014.

##### 8.a.1 Information related to equity component of subsidiaries (continued):

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.

The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

##### 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., 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.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 8. Information related to subsidiaries (net) (continued)

##### 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)	Istanbul /Türkiye	99,99	99,99
2	Sürdürülebilir Danışmanlık A.Ş. (SD A.Ş.)	Istanbul/Türkiye	-	97,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value	
1	TSKB GMD <sup>(*)</sup>	14.152	11.630	1.122	645	-	1.660	2.564	-
2	SD A.Ş. <sup>(*)</sup>	720	654	12	83	-	275	49	-

<sup>(\*)</sup> The financial data are belongs to period ended 31 December 2015.

##### Subsidiaries disposed in the current period

In the current period, the Group has not disposed any subsidiaries.

##### Subsidiaries purchased in the current period

In the current period, the Group 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.)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	72,48

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YFAŞ <sup>(*)</sup>	684.430	70.947	3.232	23.231	1.258	(2.194)	2.450	-
TSKB GYO <sup>(*)</sup>	423.148	224.311	403.757	483	-	12.381	1.972	52.215

<sup>(\*)</sup> The consolidated financial data of the subsidiaries are prepared in accordance with BRSA regulations.

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>133.825</b>	<b>134.086</b>
Movements During the Period	(11.505)	(261)
Purchases	-	-
Bonus Shares Obtained	-	2.394
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	(11.505)	(2.655)
<b>Balance At the End of the Period</b>	<b>122.320</b>	<b>133.825</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. Explanations and disclosures related to the consolidated assets (continued)

#### 8. Information related to subsidiaries (net) (continued)

#### 8.a.4 Information related to consolidated subsidiaries: (continued)

##### *Subsidiaries disposed in the current period*

In the current period, the Group has not disposed any subsidiaries.

##### *Subsidiaries purchased in the current period*

In the current period, the Group 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	122.320	133.825

#### 8.a.6 Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	52.215	63.720
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 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

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 (full) for each amounting to TL 20 in total. TSKB GYO has paid TL 10 in cash for the 50% ownership in Adana Hotel Project.

The main line of business of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care. The capital structure of the corporation is designated with 50% participation of Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% participation of the corporation itself. The nominal paid-in capital of Anavarza Hotel Project comprises of 20.000 shares of TL 1 (full) for each amounting TL 20.000 in total. The company has paid TL 10.000 in cash for the 50% ownership in Anavarza Hotel.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	16.011	(4.603)	14.774	-	-	(3.800)	(614)	-
Anavarza Hotelier Corporation	2.470	(596)	177	-	-	(2.904)	-	-



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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (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	98	-	87	-
Between 1 - 4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>98</b>	<b>-</b>	<b>87</b>	<b>-</b>

##### 10.b The information on net investments in finance leases:

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>98</b>	<b>87</b>
Unearned revenue from finance leases (-)	(98)	(87)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>-</b>	<b>-</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, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

##### 11. Information on derivative financial assets for hedging purposes

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	4.093	-	-
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4.093</b>	<b>-</b>	<b>-</b>

As of 31 December 2015, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swap	4.689.900	4.093	(5.799)	-	-	-
FC	4.689.900	4.093	(5.799)	-	-	-
TL	-	-	-	-	-	-

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 11. Information on derivative financial assets for hedging purposes (continued)

##### 11.a.1 Information on fair value hedge accounting

Current Period	Hedged Item	Type of Risk	Fair Value Change of Hedged Item <sup>(*)</sup>	Fair Value of Hedging Instrument	Income St Effect (Profit/ Loss Through Derivative Financial Instruments)	
Hedging Item						
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond Issued	Interest Rate Risk	3.814	-	(5.980)	(2.166)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	376	-	(1.461)	(1.085)

<sup>(1)</sup> The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

##### 12. Information on tangible assets (net)

Since the third quarter of the current period, the Group changed its accounting policy and adopted revaluation method under scope of TAS 16 with respect to valuation of immovable properties included in tangible fixed assets. As a result of the valuation commissioned appraisal firms authorized by CMB and BRSA, cost amount of TL 150.059 is shown under current year additions and reversal of accumulated depreciation amount of TL 24.983 is shown under current year disposals. As of 31 December 2015, pre-valuation of the net book value of immovable properties included in tangible fixed assets were amount of TL 17.091.

Current Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
<b>Cost</b>					
Land and buildings	38.870	158.419	-	-	197.289
Assets Held under Finance Leases	5.305	-	(55)	-	5.250
Vehicles	1.426	329	(151)	-	1.604
Assets for Resale	1.786	-	(1.210)	-	576
Other	24.176	19.647	(18.108)	-	25.715
<b>Total Cost</b>	<b>71.563</b>	<b>178.395</b>	<b>(19.524)</b>	<b>-</b>	<b>230.434</b>
<b>Accumulated Depreciation</b>					
Land and buildings	(21.894)	(897)	23.786	-	995
Assets Held under Finance Leases	(4.813)	(126)	55	-	(4.884)
Vehicles	(475)	(292)	111	-	(656)
Assets for Resale	(18)	(13)	28	-	(3)
Other	(17.732)	(2.564)	1.623	-	(18.673)
<b>Total Accumulated Depreciation</b>	<b>(44.932)</b>	<b>(3.892)</b>	<b>25.603</b>	<b>-</b>	<b>(23.221)</b>
<b>Impairment Provision</b>					
Land and buildings	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(177)	(42)	33	-	(186)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(177)</b>	<b>(42)</b>	<b>33</b>	<b>-</b>	<b>(186)</b>
<b>Net Book Value</b>	<b>26.454</b>	<b>174.461</b>	<b>6.112</b>	<b>-</b>	<b>207.027</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 12. Information on tangible assets (net) (continued)

Prior Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
<b>Cost</b>					
Land and buildings	39.890	21	-	(1.041)	38.870
Assets Held under Finance Leases	4.455	-	(191)	1.041	5.305
Vehicles	1.404	761	(739)	-	1.426
Assets for Resale	1.203	2.744	(2.161)	-	1.786
Other	21.483	4.032	(1.339)	-	24.176
<b>Total Cost</b>	<b>68.435</b>	<b>7.558</b>	<b>(4.430)</b>	<b>-</b>	<b>71.563</b>
<b>Accumulated Depreciation</b>					
Land and buildings	(21.669)	(768)	-	543	(21.894)
Assets Held under Finance Leases	(4.308)	(142)	180	(543)	(4.813)
Vehicles	(944)	(227)	696	-	(475)
Assets for Resale	(17)	(29)	28	-	(18)
Other	(16.634)	(1.563)	465	-	(17.732)
<b>Total Accumulated Depreciation</b>	<b>(43.572)</b>	<b>(2.729)</b>	<b>1.369</b>	<b>-</b>	<b>(44.932)</b>
<b>Impairment Provision</b>					
Land and buildings	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(466)	(848)	1.137	-	(177)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(466)</b>	<b>(848)</b>	<b>1.137</b>	<b>-</b>	<b>(177)</b>
<b>Net Book Value</b>	<b>24.397</b>	<b>3.981</b>	<b>(1.924)</b>	<b>-</b>	<b>26.454</b>

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:

In the current period, the Bank recorded impairment of TL 42 and there is no reversal of impairment (31 December 2014: TL 848 impairment).

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 2014: None).

##### 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.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. Explanations and disclosures related to the consolidated assets (continued)

#### 13. Information on intangible assets (continued)

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:

Current Period					
	Period Beginning		Period End		
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization	
Software	5.571	(2.925)	5.978	(4.927)	
Goodwill	1.005	-	1.005	-	
Prior Period					
	Prior Period Beginning		Prior Period End		
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization	
Software	5.087	(3.843)	5.571	(4.403)	
Goodwill	1.005	-	1.005	-	
13.d Movement of cost and accumulated amortization for the period:					
Current Period		Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost					
Software		5.571	407	-	5.978
Goodwill		1.005	-	-	1.005
<b>Total Cost</b>		<b>6.576</b>	<b>407</b>	<b>-</b>	<b>6.983</b>
Accumulated Amortization					
Software		(4.403)	(524)	-	(4.927)
Goodwill		-	-	-	-
<b>Total Accumulated Amortization</b>		<b>(4.403)</b>	<b>(524)</b>	<b>-</b>	<b>(4.927)</b>
Impairment Provision					
Software		-	-	-	-
<b>Total Impairment Provision</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>		<b>2.173</b>	<b>(117)</b>	<b>-</b>	<b>2.056</b>
Prior Period					
		Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost					
Software		5.087	506	(22)	5.571
Goodwill		1.005	-	-	1.005
<b>Total Cost</b>		<b>6.092</b>	<b>506</b>	<b>(22)</b>	<b>6.576</b>
Accumulated Amortization					
Software		(3.843)	(582)	22	(4.403)
Goodwill		-	-	-	-
<b>Total Accumulated Amortization</b>		<b>(3.843)</b>	<b>(582)</b>	<b>22</b>	<b>(4.403)</b>
Impairment Provision					
Software		-	-	-	-
<b>Total Impairment Provision</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>		<b>2.249</b>	<b>(76)</b>	<b>-</b>	<b>2.173</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 13. Information on intangible assets (continued)

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 2014: 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 2014: 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 2014: 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 2014: 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 2014: 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 2014: 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 2014: None).

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 2014: None).

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 241.293 (31 December 2014: TL 224.090) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment Properties Movement table as of 31 December 2015 and 31 December 2014 is as follows:

Current Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	15.460	-	-	4.445	19.905
Pendorya Mall	168.400	1.281	-	(12.706)	156.975
Adana Hotel Project	40.230	14.727	(2)	9.458	64.413
<b>Total</b>	<b>224.090</b>	<b>16.008</b>	<b>(2)</b>	<b>1.197</b>	<b>241.293</b>

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	14.320	-	-	1.140	15.460
Pendorya Mall	179.200	686	-	(11.486)	168.400
Adana Hotel Project	28.775	23.346	(10.346)	(1.545)	40.230
<b>Total</b>	<b>222.295</b>	<b>24.032</b>	<b>(10.346)</b>	<b>(11.891)</b>	<b>224.090</b>

##### 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	16.103	12.365
Other provisions	12.008	16.601
Marketable securities	-	-
Employee benefit provision	2.053	1.875
Valuation of derivative instruments	5.943	-
Other	5.028	5.194
<b>Total Deferred Tax Asset</b>	<b>41.135</b>	<b>36.035</b>
Deferred tax liabilities:		
Marketable securities	(2.694)	(11.259)
Borrowings commissions accrual adjustment	(7.265)	(5.340)
Valuation of derivative instruments	-	(253)
Useful life difference of fixed assets	(402)	(227)
Others	(2.975)	(23)
<b>Total Deferred Tax Liability</b>	<b>(13.336)</b>	<b>(17.102)</b>
<b>Net Deferred Tax Asset</b>	<b>27.799</b>	<b>18.933</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. YFAS has deferred tax asset amount of TL 4.316 calculated through loss from continued operations before taxes amounting to TL 21.850 (31 December 2014: TL 22.822 loss from continued operations before taxes / TL 4.456 deferred tax asset).

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations and disclosures related to the consolidated assets (continued)

##### 15. Information on deferred tax assets

##### 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 2014: None).

##### 16. Explanations on assets held for sale:

In the current period, the Group has no assets held for sale (31 December 2014: 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 2014: None).

##### 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	753	1,348	307	26
Swap Transactions	43.699	55.518	3.809	38.499
Futures Transactions	-	-	-	-
Options	-	73.632	-	20.935
Other	-	-	-	-
<b>Total</b>	<b>44.452</b>	<b>130.498</b>	<b>4.116</b>	<b>59.460</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	186.611	306.291	227.919	236.572
From Foreign Banks, Institutions and Funds	69.001	12.879.928	-	9.687.091
<b>Total</b>	<b>255.612</b>	<b>13.186.219</b>	<b>227.919</b>	<b>9.923.663</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

#### 3. Information on banks and other financial institutions

##### 3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	59.544	56.360	227.919	367.148
Medium and long-term	196.068	13.129.859	-	9.556.515
<b>Total</b>	<b>255.612</b>	<b>13.186.219</b>	<b>227.919</b>	<b>9.923.663</b>

##### 3.c Additional information about the concentrated areas of liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	2.026.500	-	806.750
Cost	-	2.021.606	-	806.153
Book Value	-	2.037.571	-	813.824

As of 27 October 2014, the Parent Bank's sales transactions on the issuance of bonds or similar securities amounting to maximum USD 750 million in abroad is completed and the debt instruments having nominal value of USD 350 million are determined with maturity of 30 October 2019 with fixed interest rate, five year maturity and semiannual coupon payment with an interest rate of 5,375%. Accordingly, as of 22 April 2015, the issuance of second Eurobond with nominal value of USD 350 million has been realized. The debt instruments are determined with a maturity of 22 April 2020 with fixed interest rate, five year maturity and semiannual coupon payment with an interest rate of 5,125%.

##### 3.d 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	2.123.484	44.548	1.922.524	31.037
Financial institutions and organizations	2.103.104	-	1.877.343	-
Other institutions and organizations	19.821	38.878	44.408	29.066
Real persons	559	5.670	773	1.971
From Foreign Transactions	3	-	135	208.798
Financial institutions and organizations	-	-	-	204.742
Other institutions and organizations	2	-	1	-
Real persons	1	-	134	4.056
<b>Total</b>	<b>2.123.487</b>	<b>44.548</b>	<b>1.922.659</b>	<b>239.835</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 2014: None).

#### 5. Explanations on financial lease obligations (net)

##### 5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2014: None).



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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 5. Explanations on financial lease obligations (net)

##### 5.b Explanations regarding operational leases:

As of the reporting date, 1 head office building and 13 branches of the Group companies are subject to operational leasing. Additionally, 28 cars and 100 computers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2014: 1 head office, 13 branches and 29 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 2014: None).

#### 6. Information on derivative financial liabilities held for risk management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(5.799)	-	-
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(5.799)</b>	<b>-</b>	<b>-</b>

#### 7. Information on provisions

##### 7.a Information on general loan loss provisions:

	Current Period	Prior Period
General Provisions	144.043	117.760
I.Provisions for First Group Loans and Receivables	124.148	99.241
- Additional provisions for the loans with extended payment plan	1.111	1.884
II.Provisions for Second Group Loans and Receivables	4.522	6.238
- Additional provisions for the loans with extended payment plan	2.714	4.945
Provisions for Non-Cash Loans	2.721	2.719
<b>Other</b>	<b>12.652</b>	<b>9.562</b>

##### 7.b Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

As of the reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 1.776 (31 December 2014: TL 9.776). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

##### 7.c The specific provisions provided for unindemnified non cash loans:

As at the reporting date, the Bank's specific provisions provided for unindemnified non cash loan amount to TL 583 (31 December 2014: None).

##### 7.d Information related to other provisions:

##### 7.d.1 Provisions for possible losses:

There is no provision for possible losses (31 December 2014: 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 2015, employee termination benefits is amounting TL 9.068 reflected in financial statements (31 December 2014: TL 7.932). As of 31 December 2015, the Group has provided a reserve for unused vacation amounting to TL 1.700 (31 December 2014: TL 1.543). This balance is classified under reserve for employee benefits in the financial statements. Liabilities on pension rights

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 7. Information on provisions (continued)

##### 7.d.2 Information on employee termination benefits and unused vacation accrual: (continued)

##### Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2015, the Group has no obligations on pension rights (31 December 2014: None).

##### Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2014: 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 2015 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2016, there is no need for technical or actual deficit to book provision as of 31 December 2015.

Accordingly, as of 31 December 2015 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
Other Provisions <sup>(*)</sup>	63.049	83.061
<b>Total</b>	<b>63.049</b>	<b>83.061</b>

<sup>(\*)</sup> Other provisions balance includes amount to TL 60.000 for the risks related to loan portfolio and amount to TL 583 for unindemnified non cash loans (31 December 2014: TL 83.061 provision for risks on loan portfolio).

#### 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	41.871	-	32.390	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>41.871</b>	<b>-</b>	<b>32.390</b>	<b>-</b>

##### 8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	41.871	32.390
Taxation of Securities	1.070	950
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	3.261	2.318
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	251	237
Other	1.607	1.497
<b>Total</b>	<b>48.060</b>	<b>37.392</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 8. Information on taxes payable (continued)

##### 8.a Information on current taxes payable(continued)

##### 8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	119	109
Social Security Premiums-Employer	135	124
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	32	28
Unemployment Insurance-Employer	63	56
Other	17	13
<b>Total</b>	<b>366</b>	<b>330</b>

##### 8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2014: None).

##### 9. Information on liabilities regarding assets held for sale

None (31 December 2014: 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 50 Million US Dollars. Turkish Lira equivalent of the loan is amounting to TL 145.836 as of 31 December 2015. The interest accrued on this loan is TL 1.086 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 (0,525+3,00 spread) 3,525%. 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	-	145.836	-	116.065
<b>Total</b>	<b>-</b>	<b>145.836</b>	<b>-</b>	<b>116.065</b>

#### 11. Information on shareholders' equity

##### 11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	1.750.000	1.500.000
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	1.750.000	2.500.000

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 11. Information on shareholders' equity (continued)

##### 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 2015, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

In the meeting of the General Assembly held on 27 March 2014, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.300.000 to TL 1.500.000 by TL 200.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2013. The increase in paid-in capital was approved by the BRSA on 16 April 2014 and, has been published in the Turkish Trade Registry Gazette No: 8573 on 21 May 2014. 11.d

##### 11.d Information on share capital increases from capital reserves:

In the current period, the extraordinary reserve amount of TL 16.000 provided from gain on sale of subsidiary and real estate added to paid-in-capital based on article of CTL-5(1)/e (31 December 2014: 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 2014: 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 Budget Planning and Investor Relations 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 on preferred shares:

The Parent Bank has no preferred shares (31 December 2014: 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	(13.651)	-	(7.688)	-
Valuation Differences	(27.819)	11.288	70.769	50.912
Foreign Exchange Difference	2.427	-	-	-
<b>Total</b>	<b>(39.043)</b>	<b>11.288</b>	<b>63.081</b>	<b>50.912</b>

##### 11.i Information on legal reserves:

	Current Period	Prior Period
First legal reserve	112.543	94.078
Second legal reserve	82.475	81.634
Other Legal Reserves Appropriated In Accordance with Special Legislation	54	53
<b>Total</b>	<b>195.072</b>	<b>175.765</b>

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#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 11. Information on shareholders' equity (continued)

##### 11.j Information on extraordinary reserves:

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	89.478	61.244
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
<b>Total</b>	<b>89.478</b>	<b>61.244</b>

##### 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 <sup>(*)</sup>	Others Equity Reserves	Total
<b>As of 1 January</b>	<b>121.681</b>	<b>(7.688)</b>	<b>9.320</b>	<b>374</b>	<b>123.687</b>
Value increase/decrease of available for sale investments recognized directly under equity	(177.911)	(5.963)	-	-	(183.874)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	7.565	-	-	-	7.565
Tax effect of gains on available for sale investments	34.561	-	-	-	34.561
Other	-	-	165.299	(344)	164.955
<b>As of 31 December</b>	<b>(14.104)</b>	<b>(13.651)</b>	<b>174.619</b>	<b>30</b>	<b>146.894</b>

<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 10.153 in the tax purpose financial statements amounting to TL 7.616 is exempt from corporate income tax and for the five years following 2013, 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 Assets Revaluation Differences" accounts. According to the article KVK 5-(1)/e, the gain on subsidiary and sale of building amounting to TL 16.000 belong to capital reserves is added to share capital. The Bank changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16). As a result of the valuation commissioned appraisal firms authorized by CMB and BRSA, revaluation differences amount of TL 175.285 is accounted under the equity.

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
<b>As at 1 January</b>	<b>8.623</b>	<b>(4.582)</b>	<b>8.920</b>	<b>374</b>	<b>13.335</b>
Value increase/decrease of available for sale investments recognized directly under equity	141.264	(3.106)	-	-	138.158
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(136)	-	-	-	(136)
Tax effect of gains on available for sale investments	(28.070)	-	-	-	(28.070)
Other <sup>(*)</sup>	-	-	400	-	400
<b>As at 31 December</b>	<b>121.681</b>	<b>(7.688)</b>	<b>9.320</b>	<b>374</b>	<b>123.687</b>

<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 533 in the tax purpose financial statements amounting to TL 400 is exempt from corporate income tax and for the five years following 2013, 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 Assets Revaluation Differences" accounts.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated liabilities (continued)

##### 12. Information on minority shares:

	Current Period	Prior Period
Paid-in-Capital	44.416	48.180
Other Capital Reserves	33	33
Share Premium	165	180
Securities Value Increase Fund	(3)	7
Legal Reserves	118	119
Extraordinary Reserves	1.682	1.825
Other Profit Reserves	(6)	(14)
Retained Earnings / Accumulated Losses	15.726	16.420
Net Profit or Loss	3.359	703
<b>Total</b>	<b>65.490</b>	<b>67.453</b>

#### III. Explanations and disclosures related to the consolidated off-balance sheet items

##### 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	110.589	53.655
Commitments for Money Market Brokerage Purchase and Sales	96.317	75.569
Commitments for Use Guaranteed Credit Allocation	-	59.930
Commitments for Stock Brokerage Purchase and Sales	498.091	250.458
Commitments for Letter of Credit	319.695	344.056
Commitments from Forward Short Term Borrowing and Transfers	103.409	19.674
Other	185.460	33.820
<b>Total</b>	<b>1.313.561</b>	<b>837.162</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, surety and acceptances, financial collaterals and other letters of credits

As of the reporting date, total letters of credits, surety and acceptance amount to TL 585.917 (31 December 2014: TL 496.097).

##### 1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions

As of the reporting date, total letters of guarantee is TL 1.196.747 (31 December 2014: TL 956.972).

##### 1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	731.304	-
With Maturity of One Year or Less than One Year	49.945	-
With Maturity of More than One Year	681.359	-
Other Non-Cash Loans	1.051.360	1.453.069
<b>Total</b>	<b>1.782.664</b>	<b>1.453.069</b>

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and disclosures related to the consolidated off-balance sheet items(Continued)

##### 1. Information on off-balance sheet liabilities (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	262.416	67	1.282.324	92	297.794	69	934.007	91
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	5.719	1	469.543	34	4.454	1	460.405	45
Electricity, Gas, Water	256.697	66	812.781	58	293.340	68	473.602	46
Construction	9.800	3	-	-	15.800	4	-	-
Services	118.583	30	109.541	8	118.253	27	87.215	9
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-
Financial Institutions	117.733	30	108.787	8	117.733	27	86.617	9
Real Estate and Leasing Services	850	-	754	-	520	-	598	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>390.799</b>	<b>100</b>	<b>1.391.865</b>	<b>100</b>	<b>431.847</b>	<b>100</b>	<b>1.021.222</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	387.561	1.391.865	427.792	1.020.592	3.238	-	4.055	630
Letters of Guarantee	387.561	805.948	427.792	525.125	3.238	-	4.055	-
Bank Acceptances	-	19.027	-	-	-	-	-	-
Letters of Credit	-	566.890	-	495.467	-	-	-	630
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations and disclosures related to the consolidated off-balance sheet items(Continued)

##### 2. Information related to derivative financial instruments

	Current Period		Prior Period	
Foreign currency related derivative transactions (I)	8.278.325	4.313.626		
Forward transactions	407.088	49.746		
Swap transactions	5.394.839	2.776.949		
Futures transactions	-	-		
Option transactions	2.476.398	1.486.931		
Interest related derivative transactions (II)	7.188.880	5.172.960		
Interest rate swap transactions	7.188.880	5.172.960		
Interest option transactions	-	-		
Futures interest transactions	-	-		
Other trading derivative transactions (III)	89.360	74.677		
A. Total trading derivative transactions (I+II+III)	15.556.565	9.561.263		
Types of hedging transactions	4.689.900	-		
Fair value hedges	4.689.900	-		
Cash flow hedges	-	-		
Net investment hedges	-	-		
B. Total hedging related derivatives	-	-		
<b>Total Derivative Transactions (A+B)</b>	<b>20.246.465</b>	<b>9.561.263</b>		

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell	Hedge
<b>Current Period</b>											
TL	23.898	23.946	771.403	900.598	526.886	527.036	-	-	-	-	-
US Dollar	123.284	77.278	3.323.289	3.531.214	508.486	508.485	-	-	-	-	4.689.900
Euro	57.272	101.410	2.005.996	1.716.787	202.827	202.828	-	-	-	-	-
Other	-	-	211.823	211.819	-	-	-	-	-	-	-
<b>Total</b>	<b>204.454</b>	<b>202.634</b>	<b>6.312.511</b>	<b>6.360.418</b>	<b>1.238.199</b>	<b>1.238.349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.689.900</b>

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell	Hedge
<b>Prior Period</b>											
TL	19.252	1.480	366.786	275.666	343.260	340.809	-	-	-	-	-
US Dollar	2.130	19.416	2.323.839	2.650.279	266.378	266.725	-	-	-	-	-
Euro	3.502	3.966	1.257.312	948.031	134.880	134.879	-	-	-	-	-
Other	-	-	63.998	138.675	-	-	-	-	-	-	-
<b>Total</b>	<b>24.884</b>	<b>24.862</b>	<b>4.011.935</b>	<b>4.012.651</b>	<b>744.518</b>	<b>742.413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)

#### 2. Information related to derivative financial instruments (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	54.095	(76.957)	5.394.839	38.980	(30.169)	2.776.949
Interest Rate Swap Transactions	38.728	(22.260)	7.188.880	14.619	(12.139)	5.172.960
Forward Transactions	3.375	(2.101)	407.088	119	(333)	49.746
Futures Transactions	-	-	-	-	-	-
Option Transactions	73.596	(73.632)	2.476.548	21.156	(20.935)	1.486.931
Other	-	-	89.210	-	-	74.677
<b>Total</b>	<b>169.794</b>	<b>(174.950)</b>	<b>15.556.565</b>	<b>74.874</b>	<b>(63.576)</b>	<b>9.561.263</b>

#### Fair value hedges

For the year ended 31 December 2015, the Parent Bank has interest rate swaps for hedging purposes nominal amount of TL 4.689.900 (31 December 2014: None)

#### Hedging from the cash-flow risk

As of 31 December 2015 there is no cash-flow hedging transactions (31 December 2014: None).

#### 3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2014: None).

#### 4. Explanations on contingent liabilities and assets

There are 45 legal cases against the Group which are amounting to TL 5.919 as of the reporting date (31 December 2014: TL 1.162 - 32 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 should not be deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stamp duty deducted from allowance and total amount of TL 17.325 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, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir.

Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court (AYM) in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the parent Bank and an amount of TL 12.750 corresponding to the portion that the parent Bank was obliged to pay for the related period is recognised as income in the current period.

Plaintiff ultimately filed a lawsuit against IBB and Karacan Yapı at Pendik 2nd 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.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)

##### 4. Explanations on contingent liabilities and assets (continued)

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. Justified decision has been declared and the decision appealed by Pendik Municipality is being waited for the return from Supreme Court.

##### 5. Custodian and intermediary services

The Parent 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.

#### 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 <sup>(*)</sup>				
Short Term Loans	36.400	3.229	33.272	21.049
Medium and Long Term Loans	130.139	498.839	113.488	334.068
Interest on Non-performing Loans	421	123	2.082	1.201
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>166.960</b>	<b>502.191</b>	<b>148.842</b>	<b>356.318</b>

<sup>(\*)</sup> 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 <sup>(*)</sup>	1.235	-	53	-
Domestic Banks	4.271	8.909	8.559	7.382
Foreign Banks	225	209	278	-
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>5.731</b>	<b>9.118</b>	<b>8.890</b>	<b>7.382</b>

<sup>(\*)</sup> Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

##### 1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	2.922	35	1.804	19
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	239.322	47.602	258.746	23.361
Investments Held to Maturity	25.854	3.001	-	-
<b>Total</b>	<b>268.098</b>	<b>50.638</b>	<b>260.550</b>	<b>23.380</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the consolidated income statement (Continued)****1. Information on interest income (Continued)****1.d Information on interest income received from associates and subsidiaries:**

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	7.592	2.411

**2. Information on interest expense****2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	25.766	20.971	14.973	8.031
The Central Bank of Turkey	-	-	-	-
Domestic Banks	21.379	3.718	14.844	722
Foreign Banks	4.387	17.253	129	7.309
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	147.905	-	99.982
<b>Total (*)</b>	<b>25.766</b>	<b>168.876</b>	<b>14.973</b>	<b>108.013</b>

(\*) Commissions given to the Banks and Other Institutions are presented under interest expense.

**2.b Information on interest expenses to associates and subsidiaries:**

There is no interest expense to its associates and subsidiaries (31 December 2014: None).

**2.c Information on interest expense to securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (*)	-	92.869	-	8.025

(\*) Commissions given to issuance have been included to interest expense on funds borrowed.

**3. Information on dividend income**

	Current period	Prior period
Trading Securities	385	530
Financial Assets at Fair Value Through Profit and Loss	9.595	-
Available-for-Sale Securities	195	6.113
Other	-	7.233
<b>Total</b>	<b>10.175</b>	<b>13.876</b>

**4. Information on net trading income (net)**

	Current period	Prior period
<b>Profit</b>	<b>1.639.309</b>	<b>727.229</b>
Gains on capital market operations	12.022	3.170
Gains on derivative financial instruments (*)	747.867	255.011
Foreign exchange gains	879.420	469.048
<b>Losses (-)</b>	<b>(1.633.529)</b>	<b>(685.991)</b>
Losses on capital market operations	(8.455)	(3.884)
Losses on derivative financial instruments (*)	(869.880)	(301.900)
Foreign exchange losses	(755.194)	(380.207)

(\*) Foreign exchange gain from derivative transactions amounting to TL 353.529 is presented in "Gains on derivative financial instruments" (31 December 2014: TL 146.538), foreign exchange loss from derivative transactions amounting to TL (538.240) is presented in "Losses on derivative financial instruments" (31 December 2014: TL (222.186)).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and disclosures related to the consolidated income statement (continued)

##### 5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	24.508	26.093
Gains on Sale of Assets	84	11.097
From Associate and Subsidiary Sales <sup>(*)</sup>	-	9.922
From Immovable Fixed Asset Sales	76	543
From Property Sales	1	629
From Other Asset Sales	7	3
Other <sup>(**)</sup>	26.545	10.494
<b>Total</b>	<b>51.137</b>	<b>47.684</b>

<sup>(\*)</sup> 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, which was held in available for sale portfolio, with nominal amount of TL 21.000 and with a cost of TL 23.468 to Borsa İstanbul A.Ş. at a price of TL 33.390 and the sale amount was collected within the same day.

<sup>(\*\*)</sup> Includes income accrual in the amounting TL 12.750 in accordance with the subjects mentioned in Section Five in disclosure No:III-4 in the current period.

##### 6. Provision expenses related to loans and other receivables of the Group

	Current Period	Prior Period
Specific provisions for loans and other receivables	44.681	5.181
III. Group	20	4.366
IV. Group	-	-
V. Group	44.661	815
General provision expenses	26.283	21.177
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	7.599	1.501
Trading securities	-	-
Investment securities available for sale	7.599	1.501
Impairment provisions	-	291
Associates	-	291
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other <sup>(*)</sup>	-	33.000
<b>Total</b>	<b>78.563</b>	<b>61.150</b>

<sup>(\*)</sup> Other provision contains amounting to TL 33.000 in the prior period allocated for the risks related to the loan portfolio.

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV Explanations and disclosures related to the consolidated income statement (continued)

##### 7. Information related to other operating expenses

	Current Period	Prior Period
Personnel Expenses	84.133	76.993
Reserve for Employee Termination Benefits	1.191	1.058
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	11.892
Depreciation Expenses of Fixed Assets	3.982	2.668
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	543	582
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	21	29
Depreciation Expenses of Assets Held for Resale	13	19
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	31.706	27.020
Rent Expenses	3.085	2.271
Maintenance Expenses	2.323	1.408
Advertisement Expenses	1.400	1.048
Other Expenses	24.898	22.293
Loss on Sales of Assets	52	563
Other	18.932	39.736
<b>Total</b>	<b>140.573</b>	<b>160.560</b>

##### 8. Information on profit/loss before tax from continued and discontinued operations before tax

As of 31 December 2015, profit before tax of the Group has decreased by 9,64% as compared to the prior period (31 December 2015: 25,97% increase). In comparison with the prior period, the Group's net interest income has increased by 13,23% (31 December 2015: 9,77% 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 76.641 (31 December 2014: TL 120.210). Deferred tax charge is TL 24.094 (31 December 2014: TL 27.974 deferred tax income).

###### 9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax charge calculated on temporary differences is TL 24.094 (31 December 2014: TL 27.974 deferred tax income).

###### 9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:

As of 31 December 2015, the deferred tax charge was calculated based on temporary timing differences is TL 24.094 (31 December 2014: TL 27.974). Deferred tax income reflected in the income statement on carry forward tax losses, tax deductions and exceptions amounts to TL 141 (31 December 2014: TL None).

In addition, TL 34.561 deferred tax income, 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 (31 December 2014: TL 27.937 deferred tax expense) and TL 1.601 deferred tax change is calculated over revaluation differences of tangible assets.

##### 10. Information on net profit from continued and discontinued operations

As of 31 December 2015, current net profit of the Group has increased by 9,75% compared to the prior period (31 December 2014: 26,75% increase).

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV Explanations and disclosures related to the consolidated income statement (continued)

##### 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 1.098.725 of interest income, TL 500.183 of interest expenses, TL 29.547 of net fee and commission income from banking operations (31 December 2014: TL 819.918 interest income, TL 291.295 interest expenses, TL 29.500 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 loss attributable to minority shares is TL 3.359 (31 December 2014: TL 703 profit). The total shareholders' equity, including current year profit attributable to minority shares is TL 65.490 (31 December 2014: TL 67.453).

#### 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	17.701	18.417
Commissions from Initial Public Offering	162	744
Investment Fund Management Income	1.584	1.871
Other	3.462	2.887
<b>Total</b>	<b>22.909</b>	<b>23.919</b>

#### V. Explanations related to consolidated statement of changes in shareholders' equity

##### 1. Information related to capital

As of 31 December 2015, shareholders are as follows:

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate(%)	Capital	Capital
T. İş Bankası A.Ş. Group <sup>(*)</sup>	880.723	50,33	880.723	-
T. Vakıflar Bankası T.A.O.	146.606	8,38	146.606	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	722.671	41,29	722.671	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>
Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate(%)	Capital	Capital
T. İş Bankası A.Ş. Group	750.002	50,00	750.002	-
T. Vakıflar Bankası T.A.O.	125.662	8,38	125.662	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	624.336	41,62	624.336	-
<b>Total</b>	<b>1.500.000</b>	<b>100,00</b>	<b>1.500.000</b>	<b>-</b>

<sup>(\*)</sup> T. İş Bankası A.Ş. Group share is calculated by considering T. İş Bankası A.Ş.'s purchases in free floating of BIST in December 2015 of Bank shares.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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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 (continued)

##### 1. Information related to capital (continued)

In the meeting of the General Assembly held on 26 March 2015, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

In the meeting of the General Assembly held on 27 March 2014, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.300.000 to TL 1.500.000 by TL 200.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2013. The increase in paid-in capital was approved by the BRSA on 16 April 2014 and, has been published in the Turkish Trade Registry Gazette No: 8573 on 21 May 2014.

##### 2. Information on the increase arising from the revaluation of available-for-sale securities

As of 31 December 2015, (18.462) value decrease is accounted for arising from the valuation of available for sale investments at fair value. TL (4.358) deferred tax is offset against value decrease related to these investments and as a result, TL (14.104) net value decrease is disclosed under the securities value decrease fund in the statement of changes in the consolidated equity.

In the prior period 151.884 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 30.203 deferred tax is offset against value increase related to these investments and as a result, TL 121.681 net value increase is disclosed under the securities value increase fund in the statement of changes in the consolidated 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

As of 31 December 2015, increasing amount of TL 2.427 arising from the revaluation of securities available for sale is disclosed under the exchange differences in the statement of changes in the consolidated equity. (31 December 2014: None)

##### 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 19.305 was transferred to the legal reserves (31 December 2014: TL 17.319).

##### 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 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, other income amounting to TL 181.901 consists of gain from sale of assets and non-interest income (31 December 2014: TL 70.254 other income consists of other income rental income, securities trade gains, gain from sale of assets and non-interest income

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 (continued)

##### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents (continued)

Other caption in changes in assets and liabilities from banking operations amounting to TL 359.956 (31 December 2014: TL 89.632) consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses and fees and commissions paid.

In the current period, net increase/decrease in other assets amounting to TL 618.243 (31 December 2014: TL 186.532) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 220.434 (31 December 2014: TL 488.344) 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 51.689 (31 December 2014: TL 11.407).

##### 2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:

In the current period, the Group invested TL 34.218 in tangible fixed assets and properties and invested TL 2.169 in intangible fixed assets. In the current period, there is no investment on subsidiaries and affiliates.

In the prior period, the Group invested TL 21.122 in tangible fixed assets and properties and invested TL 506 in intangible fixed assets. There is TL 200 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 11.533 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 6.138 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

##### 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	14	107
Cash Equivalents	642.958	498.160
<b>Total</b>	<b>642.972</b>	<b>498.267</b>

Cash and cash equivalents at the end of period:

	At the End of Current Period	At the End of Prior Period
Cash	21	14
Cash Equivalents	1.868.894	642.958
<b>Total</b>	<b>1.868.915</b>	<b>642.972</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

Reserves amounting to TL 767.239 (31 December 2014: TL 473.168) in Turkish Republic Central Bank represent of Turkish Lira, foreign currency and gold reserve requirements of the Parent Bank.

##### 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.



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### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 6. Additional information related to financial position and liquidity (Continued)

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 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	119.901	264	72.954	117.412	79.003	-
Balance at the end of the period	340.358	322	53.167	117.412	91.272	-
Interest and commission income received	7.587	5	1.582	294	4.208	-

###### 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	85.560	262	112.840	117.413	91.627	-
Balance at the end of the period	119.901	264	72.954	117.412	79.003	-
Interest and commission income received	2.405	6	2.140	294	4.190	-

###### 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 foreign currency swaps buy amounting TL 58.129 and foreign currency swaps sell amounting TL 58.527 made with Bank's own risk group (31 December 2014 : foreign currency swaps buy TL 47.621, foreign currency swaps sell TL 49.393). As of 31 December 2015, gain or loss from these transactions is TL (300) and this amount is associated with income statements (31 December 2014: TL (1.255)). The related amounts have been eliminated from the relevant accounts in the scope of consolidation.

##### 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 11.897 (31 December 2014: TL 10.762).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 <sup>(*)</sup>	2	332		
			Country of Incorporation	
Foreign representations	-	-		
			Total Asset	Statutory Share Capital
Foreign branches	-	-	-	-
Off-shore banking region branches	-	-	-	-

<sup>(\*)</sup> Consolidated subsidiaries have 13 branches and 152 personnel.

##### 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 (31 December 2014: None).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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
Base Support Note	BBB-
National Note	AAA
National Note Outlook	Stable
Privileged Unsecured Debt Rating Note	BBB-

International Credit rating agency Fitch Ratings confirmed The Bank's ratings and "stable" prospectus without change as of 15 October 2015 and determined Bank's "Privileged Unsecured Debt Notes" as BBB- for the Eurobonds maturity with 30 October 2019 and 22 April 2020.

##### MOODY'S

Reference Financial Rating Note	Ba2
Foreign Currency (issuer)	
Long-term Maturity	Baa3
Outlook	Negative
Short-term Maturity	P-3
Domestic Currency (issuer)	
Long-term Maturity	Baa3
Outlook	Negative
Short-term Maturity	P-3
Unsecured Debt-Foreign Currency (issuer)	
Long-term Maturity	Baa3
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note:	(P) Baa3

Information above represents updated information as of 23 October 2015.

International credit rating agency Moody's, assigned "Unsecured Debt - Foreign Currency" rating note for the Parent Bank issuing Eurobonds maturity with 30 October 2019 and 22 April 2020 and this note has been appointed as Baa3.

##### 1.b Informations on corporate governance rating of the Parent 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, updated the Parent Bank's corporate governance rating of 95,19% (9,52 over 10) as of 20 October 2015. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,49 (Weight: 25%), 9,65 (Weight: 25%), 9,85 (Weight: 15%), 9,31 (Weight: 35%) over 10 respectively.

##### II. Other explanations related to the events after the reporting date

None.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION SEVEN

##### AUDITORS' REPORT

###### I. Explanations on the Auditors' report

The consolidated financial statements as of and for the year ended 31 December 2015 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors' Report dated 28 January 2016 is presented in the introduction of this report.

###### 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.

## GLOSSARY

### **APEX BANKING**

Long-term, low interest loaning processes carried out using international financing opportunities, to support SME's investment and growth projects.

### **BIST SUSTAINABILITY INDEX**

BIST Index listing the publicly traded companies that meet the sustainability performance indicators published by the Borsa İstanbul.

### **ENVIRONMENTAL RISK EVALUATION MODEL (ERET)**

The unique evaluation methodology that evaluates the environmental and social impacts of the projects TSKB allocates loans for.

### **EFIL LOANS**

The objective of the EFIL loans is to create new business fields and increase employment besides supporting the activities firms carry out to increase their exports.

### **CARBON NEUTRAL BANKING**

The banking approach that sees the struggle against climate change as a priority.

### **CORPORATE GOVERNANCE RATING**

The rating system showing the companies' – companies that apply to listed in the BIST Corporate Governance Index – level of compliance with the CMB's Corporate Governance Principles.

### **GLOBAL REPORTING INITIATIVE (GRI)**

A non-profit organization that focuses on establishing a standard reporting framework for global scale sustainability activities.

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