



Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

**Consolidated Financial Statements
As of and for the Year Ended 31 December 2016**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*
With Independent Auditors' Report Thereon

1 February 2017

This report contains "Auditors' Report" comprising 2 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 146 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 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 2016 and the consolidated statement of income, consolidated statement of income and expense items 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 2016, 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 2016 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

1 February 2017
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in note 1 of 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 2016**

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The consolidated financial report for the year end includes the following sections in accordance with "Communiqué on the 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 AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

The subsidiaries, associates and joint ventures, whose financial statements are consolidated within the framework of the reporting package, are as follows:

Subsidiaries






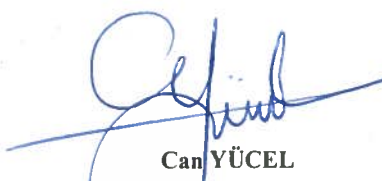
Yatırım Finansman Menkul Değerler A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

Associates

İş Finansal Kiralama A.Ş.
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
İş Faktoring A.Ş.

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

1 February 2017

 Adnan BALI Chairman of Board of Directors	 Suat İNCE Member of Board of Directors and General Manager	 Ece BÖRÜ Executive Vice President In Charge of Financial Reporting	 Tolga SERT Head of Financial Control Department
 Kemal SAC Member of Audit Committee		 Can YÜCEL 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 : (0212) 334 51 97

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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 2016

(Amounts are 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	1.038.383	50,65	1.038.383	-
T. Vakıflar Bankası T.A.O.	171.738	8,38	171.738	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	839.879	40,97	839.879	-
Total	2.050.000	100,00	2.050.000	-

Prior 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	-
Total	1.750.000	100,00	1.750.000	-

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,65% of the shares belongs to İş Bank Group and 39,07% 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 2016

(Amounts are 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	Title (1)
Adnan Bali	Chairman of the Board of Directors
Ebru Özsuca (3)	Vice Chairman of the Board of Directors
Halil Aydoğan	Member of the Board of Directors
Yavuz Canevi	Member of the Board of Directors
Suat İnce (2)	Member of the Board of Directors and General Manager
Fikret Utku Özdemir (4)	Member of the Board of Directors
Kemal Saç (5)	Member of the Board of Directors and Audit Committee
Zeynep Hansu Uçar	Member of the Board of Directors
Kamil Yılmaz	Member of the Board of Directors
Can Yücel (5)	Member of the Board of Directors and Audit Committee

General Manager and Vice Presidents

Name Surname	Title / Area of Responsibility
Suat İnce (2)	General Manager
Çiğdem İnel (6)	Vice President – Economic Research, Financial Institutions, Development Finance Institutions, Engineering and Technical Consultancy
Ufuk Bala Yücel (6)	Vice President – Loans, Loan Monitoring and Loan Operations
B. Gökhan Çanakpınar (6)	Vice President – Building Communications and Administrative Affairs, System Support and Communication, Application Development
Ece Börü (6)	Vice President – Budget Planning and Investor Relations, Financial Analysis and Valuation, Financial Control
Hakan Aygen (6)	Vice President – Corporate Finance, Corporate Marketing and Project Finance
A. Ferit Eraslan (6)	Vice President – Head of Inspection, Internal Control and Risk Management
Aslı Zerrin Hancı (6)	Vice President – Treasury, Treasury and Capital Market Operations
H. Yetkin Kesler (6)	Vice President – Foundation of Retirement and Supplementary, Human Resources and Corporate Compliance, Enterprise Architecture and Process Management

(1) The shares of above directors in the Bank are symbolic.

(2) In the Board of Directors meeting held on 24 March 2016, Mr. Suat İnce was appointed as the Board of Directors Member and General Manager as of 1 April 2016 and Mr. Suat İnce has been started his duty after legal procedure on 11 April 2016.

(3) In the Board of Directors meeting held on 2 June 2016, Mrs. Ebru Özsuca was appointed as Vice Chairman of the Board of Directors due to Mr. Kemal Serdar Dişli's resignation from his duty.

(4) In the Board of Directors meeting held on 2 June 2016, Mr. Murat Bilgiç resigned from his duties. Mr. Fikret Utku Özdemir was appointed as the Board of Directors Member started to his new duty by taking an oath at 10 June 2016.

(5) In the Board of Directors meeting held on 2 June 2016, Mr. Kemal Serdar Dişli and Uygur Şafak Öğün resigned from their duties as the Board of Directors Member and Audit Committee Member. Mr. Kemal Saç and Mr. Can Yücel was appointed as the Board of Directors Member and Audit Committee Member started their duties by taking oath at 10 June 2016.

(6) Refers to the duties and responsibilities of the Bank after the organizational changes according to the decision of Board of Directors numbered 2291 dated 29 December 2016.

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 2016 in the General Assembly Meeting held on 24 March 2016.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are 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

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., TSKB Sürdürülebilirlik Danışmanlığı 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. (“YF”) 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.

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are 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)**

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 16,65% in which the share of İş Yatırım Menkul Değerler A.Ş. is 29,29%. 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 SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 DECEMBER 2016

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

		Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	161.305	616.771	778.076	40.447	770.676	811.123
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	139.799	247.238	387.037	49.785	159.786	209.571
2.1 Trading financial assets		139.799	247.238	387.037	49.785	159.786	209.571
2.1.1 Public sector debt securities		5.947	-	5.947	30.777	-	30.777
2.1.2 Share certificates		980	-	980	2	-	2
2.1.3 Derivative financial assets held for trading		126.798	247.238	374.036	10.008	159.786	169.794
2.1.4 Other marketable securities		6.074	-	6.074	8.998	-	8.998
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)	75.108	422.841	497.949	72.617	678.928	751.545
IV. MONEY MARKET PLACEMENTS		63.796	191.138	254.934	1.080.724	-	1.080.724
4.1 Interbank money market placements		-	191.138	191.138	-	-	-
4.2 Istanbul Stock Exchange money market placements		62.895	-	62.895	1.080.274	-	1.080.274
4.3 Receivables from reverse repurchase agreements		901	-	901	450	-	450
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.048.308	1.020.104	3.068.412	2.124.343	847.819	2.972.162
5.1 Share certificates		28.081	18.582	46.663	28.094	10.120	38.214
5.2 Public sector debt securities		1.823.078	967.854	2.790.932	1.793.224	831.327	2.624.551
5.3 Other marketable securities		197.149	33.668	230.817	303.025	6.372	309.397
VI. LOANS AND RECEIVABLES	(5)	2.613.249	14.722.796	17.336.045	2.371.872	11.261.257	13.633.129
6.1 Loans and receivables		2.613.249	14.722.796	17.336.045	2.371.872	11.261.257	13.633.129
6.1.1 Loans to risk group of the Bank		193.048	212.410	405.458	276.808	207.989	484.797
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.420.201	14.510.386	16.930.587	2.095.064	11.053.268	13.148.332
6.2 Non performing loans		50.253	1.362	51.615	59.328	1.689	61.017
6.3 Specific provisions (-)		(50.253)	(1.362)	(51.615)	(59.328)	(1.689)	(61.017)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	1.188.990	186.739	1.375.729	715.194	157.408	872.602
8.1 Public sector debt securities		1.188.990	186.739	1.375.729	715.194	157.408	872.602
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	324.477	-	324.477	293.543	-	293.543
9.1 Accounted for under equity method		322.922	-	322.922	291.988	-	291.988
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
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	1.609	-	1.609	609	-	609
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		1.609	-	1.609	609	-	609
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	1.760	-	1.760	1.760	-	1.760
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		1.760	-	1.760	1.760	-	1.760
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		1.760	-	1.760	1.760	-	1.760
XII. LEASE RECEIVABLES (Net)	(10)	-	3.792	3.792	-	-	-
12.1 Finance lease receivables		-	4.393	4.393	-	98	98
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(601)	(601)	-	(98)	(98)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	272	272	-	4.093	4.093
13.1 Fair value hedge		-	272	272	-	4.093	4.093
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	231.328	-	231.328	207.027	-	207.027
XV. INTANGIBLE ASSETS (Net)	(13)	3.098	-	3.098	2.056	-	2.056
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		2.093	-	2.093	1.051	-	1.051
XVI. INVESTMENT PROPERTY (Net)	(14)	231.323	-	231.323	241.293	-	241.293
XVII. TAX ASSET	(15)	21.214	-	21.214	29.624	-	29.624
17.1 Current tax asset		3.032	-	3.032	1.825	-	1.825
17.2 Deferred tax asset		18.182	-	18.182	27.799	-	27.799
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)	81.592	276.839	358.431	74.491	181.228	255.719
TOTAL ASSETS		7.186.956	17.688.530	24.875.486	7.305.385	14.061.195	21.366.580

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

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 DECEMBER 2016

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

		Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
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)	115.009	205.788	320.797	44.452	130.498	174.950
III. FUNDS BORROWED	(3)	147.252	15.980.244	16.127.496	255.612	13.186.219	13.441.831
IV. MONEY MARKET BALANCES		1.195.236	60.998	1.256.234	2.305.992	44.548	2.350.540
4.1 Interbank money market takings		610.144	-	610.144	-	-	-
4.2 Istanbul Stock Exchange money market takings		350.736	-	350.736	182.505	-	182.505
4.3 Funds provided under repurchase agreements		234.356	60.998	295.354	2.123.487	44.548	2.168.035
V. DEBT SECURITIES ISSUED (Net)	(3)	-	3.486.732	3.486.732	-	2.037.571	2.037.571
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	3.486.732	3.486.732	-	2.037.571	2.037.571
VI. FUNDS		1.511	3.806	5.317	1.690	28.987	30.677
6.1 Borrower funds		1.511	3.806	5.317	1.690	28.987	30.677
6.2 Others		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		113.382	80.230	193.612	98.571	30.727	129.298
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)	-	51.433	51.433	-	5.799	5.799
11.1 Fair value hedge		-	51.433	51.433	-	5.799	5.799
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(7)	279.033	-	279.033	217.860	-	217.860
12.1 General loan loss provisions		177.167	-	177.167	144.043	-	144.043
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		10.904	-	10.904	10.768	-	10.768
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		90.962	-	90.962	63.049	-	63.049
XIII. TAX LIABILITY	(8)	11.779	-	11.779	48.426	-	48.426
13.1 Current tax liability		11.779	-	11.779	48.426	-	48.426
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
XVI. SHAREHOLDERS' EQUITY		3.169.827	(26.774)	3.143.053	2.772.504	11.288	2.783.792
16.1 Paid-in capital	(11)	2.050.000	-	2.050.000	1.750.000	-	1.750.000
16.2 Capital reserves		159.098	(26.774)	132.324	136.034	11.288	147.322
16.2.1 Share premium		428	-	428	428	-	428
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	(43.122)	(26.774)	(69.896)	(39.043)	11.288	(27.755)
16.2.4 Tangible assets revaluation differences	(11)	201.168	-	201.168	174.619	-	174.619
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		624	-	624	30	-	30
16.3 Profit reserves		408.096	-	408.096	362.902	-	362.902
16.3.1 Legal reserves		216.361	-	216.361	195.072	-	195.072
16.3.2 Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3 Extraordinary reserves		113.175	-	113.175	89.478	-	89.478
16.3.4 Other profit reserves		2.919	-	2.919	2.711	-	2.711
16.4 Profit or loss		494.664	-	494.664	458.078	-	458.078
16.4.1 Prior years' profit/loss		51.233	-	51.233	50.847	-	50.847
16.4.2 Current year profit/loss		443.431	-	443.431	407.231	-	407.231
16.5 Non-controlling interests		57.969	-	57.969	65.490	-	65.490
TOTAL LIABILITIES AND EQUITY		5.033.029	19.842.457	24.875.486	5.745.107	15.621.473	21.366.580

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

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 31 DECEMBER 2016

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

		Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
	Note Ref	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8,837.735	35.599.977	44.437.712	4.606.892	22.448.542	27.055.434
I. GUARANTEES AND COLLATERALS	(1)	210.448	1.458.760	1.669.208	390.799	1.391.865	1.782.664
1.1 Letters of guarantee		210.448	764.943	975.391	390.799	805.948	1.196.747
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		210.448	764.943	975.391	390.799	805.948	1.196.747
1.2 Bank acceptances		-	17.450	17.450	-	19.027	19.027
1.2.1 Import letters of acceptance		-	17.450	17.450	-	19.027	19.027
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	676.367	676.367	-	566.890	566.890
1.3.1 Documentary letters of credit		-	676.367	676.367	-	566.890	566.890
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		-	-	-	-	-	-
II. COMMITMENTS	(1)	2,318.595	6,274.080	8,592.675	1,442.326	3,583.979	5,026.305
2.1 Irrevocable commitments		1,022.236	301.200	1,323.436	1,009.744	303.817	1,313.561
2.1.1 Forward asset purchase and sales commitments		23.159	55.320	78.479	55.547	55.042	110.589
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	68.367	68.367	-	-	-
2.1.4 Loan granting commitments		-	-	-	-	-	-
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		999.077	177.513	1,176.590	954.197	248.775	1,202.972
2.2 Revocable commitments		1,296.359	5,972.880	7,269.239	432.582	3,280.162	3,712.744
2.2.1 Revocable loan granting commitments		1,296.359	5,972.880	7,269.239	432.582	3,280.162	3,712.744
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	6,308.692	27,867.137	34,175.829	2,773.767	17,472.698	20,246.465
3.1 Derivative financial instruments for hedging purposes		-	7,747.800	7,747.800	-	4,689.900	4,689.900
3.1.1 Fair value hedge		-	7,747.800	7,747.800	-	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		6,308.692	20,119.337	26,428.029	2,773.767	12,782.798	15,556.565
3.2.1 Forward foreign currency buy/sell transactions		249.785	881.330	1,131.115	47.844	359.244	407.088
3.2.1.1 Forward foreign currency transactions-buy		126.329	441.469	567.798	23.898	180.556	204.454
3.2.1.2 Forward foreign currency transactions-sell		123.456	439.861	563.317	23.946	178.688	202.634
3.2.2 Swap transactions related to f.c. and interest rates		2,819.705	15,427.729	18,247.434	1,672.001	10,911.718	12,583.719
3.2.2.1 Foreign currency swaps-buy		1,098.878	2,724.038	3,822.916	748.975	1,969.096	2,718.071
3.2.2.2 Foreign currency swaps-sell		1,680.003	1,970.805	3,650.808	878.170	1,798.598	2,676.768
3.2.2.3 Interest rate swaps-buy		20.412	5,366.443	5,386.855	22.428	3,572.012	3,594.440
3.2.2.4 Interest rate swaps-sell		20.412	5,366.443	5,386.855	22.428	3,572.012	3,594.440
3.2.3 Foreign currency, interest rate and securities options		3,239.202	3,692.734	6,931.936	1,053.922	1,422.626	2,476.548
3.2.3.1 Foreign currency options-buy		1,619.601	1,846.367	3,465.968	526.886	711.313	1,238.199
3.2.3.2 Foreign currency options-sell		1,619.601	1,846.367	3,465.968	526.886	711.313	1,238.199
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		-	117.544	117.544	-	89.210	89.210
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		43,886.431	190,051.234	233,937.665	34,498.158	145,401.774	179,899.932
IV. ITEMS HELD IN CUSTODY		1,390.976	132.226	1,523.202	3,650.448	114.984	3,765.432
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		1,185.233	132.226	1,317.459	1,649.997	114.984	1,764.981
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		205.743	-	205.743	2,000.451	-	2,000.451
V. PLEDGED ITEMS		31,662.429	112,629.624	144,292.053	20,596.654	87,050.467	107,647.121
5.1 Marketable securities		450.941	7,564.328	8,015.269	450.939	5,057.844	5,508.783
5.2 Guarantee notes		97.196	2,042.232	2,139.428	81.885	1,663.046	1,744.931
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		428.385	29,854.058	30,282.443	355.357	24,150.259	24,505.616
5.6 Other pledged items		30,685.907	73,169.006	103,854.913	19,708.473	56,179.318	75,887.791
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS		10,833.026	77,289.384	88,122.410	10,251.056	58,236.323	68,487.379
TOTAL OFF BALANCE SHEET ITEMS (A+B)		52,724.166	225,651.211	278,375.377	39,105.050	167,850.316	206,955.366

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 2016

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

	Note Ref.	Audited Current Period 1 January 2016 – 31 December 2016	Audited Prior Period 1 January 2015 – 31 December 2015
I. INTEREST INCOME	(1)	1.409.679	1.098.725
1.1 Interest on loans		856.109	669.151
1.2 Interest received from reserve deposits		3.371	1.235
1.3 Interest received from banks		32.686	13.614
1.4 Interest received from money market placements		162.976	95.693
1.5 Interest received from marketable securities portfolio		353.658	318.736
1.5.1 Financial assets held for trading		2.808	2.957
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		263.787	286.924
1.5.4 Investments held-to-maturity		87.063	28.855
1.6 Finance lease income		27	1
1.7 Other interest income		852	295
II. INTEREST EXPENSES	(2)	(650.876)	(500.183)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(263.391)	(194.642)
2.3 Interest on money market borrowings		(237.442)	(212.466)
2.4 Interest on securities issued		(149.831)	(92.869)
2.5 Other interest expense		(212)	(206)
III. NET INTEREST INCOME (I - II)		758.803	598.542
IV. NET FEES AND COMMISSIONS INCOME		25.017	29.547
4.1 Fees and commissions received		36.387	34.397
4.1.1 Non-cash loans		10.650	11.488
4.1.2 Other		25.737	22.909
4.2 Fees and commissions paid		(11.370)	(4.850)
4.2.1 Non-cash loans		(1.401)	(853)
4.2.2 Other		(9.969)	(3.997)
V. DIVIDEND INCOME	(3)	11.486	10.175
VI. NET TRADING INCOME	(4)	(67.771)	5.780
6.1 Securities trading gains/ (losses)		3.832	3.567
6.2 Derivative financial instruments gains/losses		864	(122.013)
6.3 Foreign exchange gains/losses (net)		(72.467)	124.226
VII. OTHER OPERATING INCOME	(5)	26.643	51.137
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		754.178	695.181
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(70.499)	(78.563)
X. OTHER OPERATING EXPENSES (-)	(7)	(168.863)	(140.573)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		514.816	476.045
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		38.805	35.280
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	(8)	553.621	511.325
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(117.708)	(100.735)
16.1 Provision for current income taxes		(98.641)	(76.641)
16.2 Provision for deferred taxes		(19.067)	(24.094)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	435.913	410.590
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	435.913	410.590
23.1 Group's profit / loss		443.431	407.231
23.2 Minority shares		(7.518)	3.359
Earnings / (losses) per share (Full Kurus)		0,216	0,199

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS UNDER
SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Audited Current Period 1 January 2016 – 31 December 2016	Audited Prior Period 1 January 2015 – 31 December 2015
PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(45.816)	(172.773)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	26.725	175.285
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	1.816	2.427
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)	-	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	(6.965)	(5.554)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	9.450	32.960
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(14.790)	32.345
XI. CURRENT YEAR PROFIT/LOSS	435.913	410.590
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	3.402	9.844
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	432.511	400.746
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	421.123	442.935

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

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

CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Other Capital Reserves	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Security Revaluation Differences	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
Prior Period – 31 December 2015																			
I. Opening Balance		1.500.000	374	413	-	175.765	75.641	61.244	2.758	-	417.290	113.993	9.320	-	-	-	2.356.798	67.453	2.424.251
II. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	(144.175)	-	-	-	-	(144.175)	(10)	(144.185)
IV. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	(7.616)	-	181.299	-	-	-	173.683	-	173.683
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	2.427	-	-	-	-	2.427	-	2.427
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	1	250.000	-	-	-	-	-	-	-	-	(234.000)	-	(16.000)	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		250.000	-	-	-	-	-	-	-	-	(234.000)	-	(16.000)	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	(344)	15	-	2	-	142	(47)	-	2.832	-	-	-	-	-	2.600	(5.312)	(2.712)
XVII. Period net income		-	-	-	-	-	-	-	-	407.231	-	-	-	-	-	-	407.231	3.359	410.590
XVIII. Profit distribution		-	-	-	-	19.305	-	28.092	-	-	(127.659)	-	-	-	-	-	(80.262)	-	(80.262)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(80.262)	-	-	-	-	-	(80.262)	-	(80.262)
18.2 Transfers to reserves		-	-	-	-	19.305	-	28.092	-	-	(47.397)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		1.750.000	30	428	-	195.072	75.641	89.478	2.711	407.231	50.847	(27.755)	174.619	-	-	-	2.718.302	65.490	2.783.792
Current Period – 31 December 2016																			
I. Opening Balance		1.750.000	30	428	-	195.072	75.641	89.478	2.711	-	458.078	(27.755)	174.619	-	-	-	2.718.302	65.490	2.783.792
II. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	(43.957)	-	-	-	-	(43.957)	4	(43.953)
IV. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	(20)	-	26.549	-	-	-	26.529	-	26.529
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	1	300.000	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		300.000	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	594	-	-	-	-	-	208	-	-	-	-	-	-	-	802	(7)	795
XVII. Period net income		-	-	-	-	-	-	-	-	443.431	-	-	-	-	-	-	443.431	(7.518)	435.913
XVIII. Profit distribution		-	-	-	-	21.289	-	23.697	-	-	(106.825)	-	-	-	-	-	(61.839)	-	(61.839)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(61.839)	-	-	-	-	-	(61.839)	-	(61.839)
18.2 Transfers to reserves		-	-	-	-	21.289	-	23.697	-	-	(44.986)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		2.050.000	624	428	-	216.361	75.641	113.175	2.919	443.431	51.233	(69.896)	201.168	-	-	-	3.085.084	57.969	3.143.053

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 FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1.611.870	1.119.513
1.1.1 Interest received		1.072.495	931.957
1.1.2 Interest paid		(566.925)	(512.480)
1.1.3 Dividends received		11.486	10.175
1.1.4 Fees and commissions received		36.387	34.397
1.1.5 Other income		82.952	181.901
1.1.6 Collections from previously written off loans		12.953	1.490
1.1.7 Payments to personnel and service suppliers		(128.739)	(104.167)
1.1.8 Taxes paid		(135.445)	(70.206)
1.1.9 Others	(1)	1.226.706	646.446
1.2 Changes in operating assets and liabilities		(3.120.483)	(543.797)
1.2.1 Net (increase) decrease in financial assets		26.525	(15.725)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(2.051.699)	(1.330.150)
1.2.5 Net (increase) decrease in other assets		99.971	(618.243)
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		(33.866)	1.201.690
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	(1.161.414)	218.631
I. Net cash provided by/(used in) banking operations		(1.508.613)	575.716
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		(355.952)	(248.392)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(1.000)	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3 Fixed asset purchases	(2)	(4.065)	(20.729)
2.4 Fixed asset sales	(3)	306	11.533
2.5 Cash paid for purchase of financial assets available for sale		(1.002.141)	(1.098.152)
2.6 Cash obtained from sale of financial assets available for sale		652.646	859.363
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(2)	(1.698)	(407)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		816.470	846.930
3.1 Cash obtained from funds borrowed and securities issued		878.309	927.192
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(61.839)	(80.262)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	40.998	51.689
V. Net increase / (decrease) in cash and cash equivalents		(1.007.097)	1.225.943
VI. Cash and cash equivalents at beginning of the period	(4)	1.868.915	642.972
VII. Cash and cash equivalents at end of the period	(4)	861.818	1.868.915

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Audited Current Period 31 December 2016 (*)	Audited Prior Period 31 December 2015
I. DISTRIBUTION OF CURRENT YEAR INCOME(**)		
1.1 CURRENT YEAR INCOME	593.252	508.455
1.2 TAXES AND DUTIES PAYABLE	(116.807)	(101.610)
1.2.1 Corporate Tax (Income tax)	(98.641)	(76.641)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(18.166)	(24.969)
A. NET INCOME FOR THE YEAR (1.1-1.2)	476.445	406.845
1.3 PRIOR YEARS LOSSES (-)(*)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	20.342
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	476.445	386.503
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	115.949
1.6.1 To owners of ordinary shares	-	115.949
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 (-)	-	8.116
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.353
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	236.551
1.9.1 To owners of ordinary shares	-	236.551
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 (-)	-	947
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	23.567
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	20
II. DISTRIBUTION OF RESERVES	-	-
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 (-)	-	-
III. EARNINGS PER SHARE(***)		
3.1 TO OWNERS OF ORDINARY SHARES	0,23	0,23
3.2 TO OWNERS OF ORDINARY SHARES (%)	23,24	23,25
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	0,20
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,14
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2016 yet, only profit available for distribution for the year 2016 is presented.

(**) According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements.

(***) 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 consolidated financial statements.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 matters regulated by BRSA legislation. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The format and content of the accompanying consolidated financial statements and footnotes have been prepared in accordance with the “Communique’ on Publicly Announced Financial Statements Explanations and notes to the Financial Statements” and “Communique on Disclosures about Risk Management to be Announced to Public by Banks.”

Amounts in the consolidated financial statements, the underlying explanations and disclosures are expressed in Thousands of Turkish Lira unless otherwise stated.

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 BRSA Financial Reporting Standards. 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 Financial Reporting Standards 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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

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 indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Eurobond and Green bond 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.

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(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)

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 Standard (“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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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.

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.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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) and their fair values cannot be determined reliably, 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.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment on financial assets (continued)

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.

IX. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset when the Group has a legally enforceable right to set off, and when the Group has the intention of collecting or paying the net amount of related assets and liabilities or when the Group has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

X. Explanations on sales and repurchase agreements and lending of securities

Funds provided under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements-TL” and “Funds Provided under Repurchase Agreements-FC” accounts.

The repurchase agreements of the Group are based on the Eurobonds 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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

XIII. Explanations on tangible assets

Tangible assets 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 2015, 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.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on tangible assets (continued)

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashboxes	4-50	2-25
Vehicles	5	20
Buildings	50	2
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 criteria 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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

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 2016 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 13 January 2017. There is no need for technical or actual deficit to book provision as of 31 December 2016.

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 for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on taxation (continued)

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.

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 24 March 2016, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The applications to BRSA and CMB related to increase has been performed, and the process is finalised as of report date. Aforementioned increase was approved by the BRSA dated 6 May 2016 and was announced in the Turkish Trade Registry Gazette dated 4 July 2016 and No. 9110.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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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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	353.064	424.040	(18.301)	758.803
Net Fees and Commission Income	10.602	(5.617)	20.032	25.017
Other Income	12.656	-	216.020	228.676
Other Expense	(81.091)	(67.661)	(310.123)	(458.875)
Profit Before Tax	295.231	350.762	(92.372)	553.621
Tax Provision				(117.708)
Net Profit				435.913
Group's profit / loss				443.431
Minority share profit / loss				(7.518)
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	17.270.371	5.904.442	1.372.827	24.547.640
Investment in Associates and Subsidiaries	-	-	327.846	327.846
Total Assets	17.270.371	5.904.442	1.700.673	24.875.486
Segment Liabilities	20.066.209	544.386	1.121.838	21.732.433
Shareholders' Equity	-	-	3.143.053	3.143.053
Total Liabilities	20.066.209	544.386	4.264.891	24.875.486

Prior 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)
Net Profit				410.590
Group's profit / loss				407.231
Minority share profit / loss				3.359
Prior 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
Total Assets	13.564.132	6.456.746	1.345.702	21.366.580
Segment Liabilities	16.220.868	1.640.878	721.042	18.582.788
Shareholders' Equity	-	-	2.783.792	2.783.792
Total Liabilities	16.220.868	1.640.878	3.504.834	21.366.580

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. Information related to the components of consolidated total capital

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As at 31 December 2016 capital adequacy ratio of Bank has been calculated as 14,56%.

	Amount	Amount related to treatment before 1/1/2014(*)
CORE EQUITY TIER 1 CAPITAL		-
Paid-in capital to be entitled for compensation after all creditors	2.050.374	
Share premiums	428	
Reserves	408.096	
Other comprehensive income according to TAS	249.270	
Profit	494.664	
Current Period Profit	443.431	
Prior Period Profit	51.233	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit		
Minority shareholder	57.969	
Core Equity Tier 1 Capital Before Deductions	3.260.801	
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	117.998	-
Leasehold improvements on operational leases	5.986	-
Goodwill (net of related tax liability)	603	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	1.256	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	250	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
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 more of the issued share capital exceeding the 10% threshold of above Tier I capital	19.336	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Information related to the components of consolidated total capital (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on 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	-	-
Total Regulatory Adjustments to Tier I Capital	145.429	
Core Equity Tier I Capital	3.115.372	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
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	-	-
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	1.239	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	1.239	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	3.114.133	
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	177.167	
Tier II Capital Before Deductions	177.167	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Information related to the components of consolidated total capital (continued)

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 Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	177.167	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.291.300	
Deductions from Total Capital		
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	369	
Other items to be defined by the BRSA	-	
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	12.891	-
CAPITAL		-
Total Capital	3.278.040	-
Total Risk Weighted Assets	22.507.376	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	13,84	-
Tier I Capital Adequacy Ratio (%)	13,84	-
Capital Adequacy Ratio (%)	14,56	-
BUFFERS		
Total buffer requirement (%)	0,63	-
Capital conservation buffer requirement (%)	0,63	-
Bank specific counter-cyclical buffer requirement (%)	0,002	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	6,63	-
Amounts below the Excess Limits as per the Deduction Principles		-
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	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	-	-
Remaining mortgage servicing rights	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Information related to the components of consolidated total capital (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	177.167	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	177.167	-
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January, 2018 and 1 January, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Information related to the components of consolidated total capital (continued)

	Parent Bank	Consolidated
	Prior Period(*)	Prior Period(*)
TIER 1 CAPITAL		
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
Tier I Capital Before Deductions	2.601.655	2.910.679
Deductions From Tier I Capital		
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% of the common equity as per 2nd clause of the Provisional Article 2 of the Regulation on the Equity 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 (-)	-	-
Total Regulatory Adjustments to Tier I Capital	121.031	146.083
Tier 1 Capital	2.480.624	2.764.596

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. Information related to the components of consolidated total capital (continued)

	Parent Bank	Consolidated
	Prior Period(*)	Prior Period(*)
ADDITIONAL CORE CAPITAL		
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)	-	-
Additional core capital before deductions	-	-
Deductions From Additional Core Capital		
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 (-)	-	-
Total deductions from additional core capital	-	-
Total Additional Core Capital	-	-
Deductions From Core Capital		
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 (-)	-	-
Total Core Capital	2.480.624	2.764.596
TIER II CAPITAL		
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
Tier II Capital Before Deductions	150.329	144.043
Deductions from Tier II Capital		
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 Core 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 (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	150.329	144.043

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Information related to the components of consolidated shareholders' equity (continued)

	Parent Bank	Consolidated
	Prior Period(*)	Prior Period(*)
CAPITAL	2.630.953	2.908.639
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
EQUITY	2.628.841	2.893.789
Amounts lower than Excesses as per Deduction Rules		
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	-	-

(*) Total capital has been calculated in accordance with the "Regulations Regarding to Changes on Regulation on Equity of Banks" effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the 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.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

The first 100 and 200 largest cash loans constitute 80,64% and 96,98% of the total cash loans portfolio of the Bank respectively (31 December 2015: 81,68% and 97,37%)

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 2015: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 78,80% and 96,38% of the total on and off balance sheet accounts of the Bank respectively (31 December 2015: 80,64% and 96,88%).

The Parent Bank calculated the general loan loss provision of TL 177.167 (31 December 2015: TL 144.043)

Profile of Significant Exposures in Major Regions

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

Risk profile by sectors or counterparties

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

Analysis of maturity-bearing exposures according to remaining maturities

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

Information on risk types

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

Exposures by risk weights

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

Information of major sectors or type of counterparties

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

Information related with value adjustments and loan loss provisions

The disclosure is prepared due to Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks and presented in footnote X. Explanations on Consolidated Risk Management.

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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 2016 is as follows;

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	17.315.764	20.281	17.336.045
Corporate Loans	14.207.855	20.281	14.228.136
Loans to SME	3.038.226	-	3.038.226
Consumer Loans	217	-	217
Other	69.466	-	69.466
Receivables from Leasing Transactions	3.792	-	3.792
Total	17.319.556	20.281	17.339.837

Cash credit quality per class of financial assets as of 31 December 2015 is as follows:

Prior 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	-	-	-
Total	13.617.988	15.141	13.633.129

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 the 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.

Information of credit amounts rated by internal rating model is given table below:

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	591.176	688.490
High Grade	1.826.700	3.227.384
Average Grade	15.520.292	11.044.853
Below Average Grade	538.242	179.020
Impaired	52.784	62.184
Total	18.529.194	15.201.931

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 19.060.660 and TL 531.466 of these customers have not been rated (31 December 2015: TL 15.476.810 TL 274.879 TL).

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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	194.994	162.977
Corporate Loans	65.324	17.651
Loans to SME	129.670	145.326
Consumer Loans	-	-
Other	-	-
Total	194.994	162.977

Exposures Subject to Countercyclical Capital Buffer

The geographical distribution of receivables from the private sector taken into account for Calculation of Bank specific Counter Cyclical Capital Buffer with the scope of Capital Conservation and Counter-Cyclical Capital Buffers Regulation which is published on the Official Gazette no.28812 dated 5 November 2013 and sub arrangements is given table below.

Information about receivables from consolidated private sector:

Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	6.376	-	6.376
Georgia	70.007	-	70.007
England	4.553	-	4.553
Turkey	17.518.414	240.927	17.759.341
Total	17.599.350	240.927	17.840.277

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III. 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 2016	3,4900	3,6757
<u>Prior Five Workdays:</u>		
30 December 2016	3,4900	3,6757
29 December 2016	3,5100	3,6701
28 December 2016	3,5010	3,6684
27 December 2016	3,4900	3,6432
26 December 2016	3,4800	3,6404

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 3,4900 and 3,6757; respectively.

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III. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

	Euro	US Dollar	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	247.052	252.175	117.544	616.771
Banks	377.991	43.290	1.560	422.841
Financial Assets at Fair Value Through Profit and Loss (*)	33.190	26.615	3.051	62.856
Money Market Placements	191.138	-	-	191.138
Available-For-Sale Financial Assets	42.571	977.533	-	1.020.104
Loans (**)	6.547.990	9.490.700	-	16.038.690
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	186.739	-	186.739
Derivative Financial Assets for Hedging Purposes	-	272	-	272
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	19.018	261.217	-	280.235
Total Assets	7.458.950	11.238.541	122.155	18.819.646
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	31.532	29.466	-	60.998
Funds Provided From Other Financial Institutions	7.297.962	8.682.282	-	15.980.244
Marketable Securities Issued	-	3.486.732	-	3.486.732
Miscellaneous Payables (****)	4.104	75.712	377	80.193
Derivative Financial Liabilities for Hedging Purposes	-	51.433	-	51.433
Other Liabilities (*****)	29.885	17.432	2.424	49.741
Total Liabilities	7.363.483	12.343.057	2.801	19.709.341
Net Balance Sheet Position	95.467	(1.104.516)	119.354	(889.695)
Net Off-Balance Sheet Position	(286.350)	1.052.712	(118.621)	647.741
Financial Derivative Assets	1.418.329	3.491.955	134.472	5.044.756
Financial Derivative Liabilities	(1.704.679)	(2.439.243)	(253.093)	(4.397.015)
Non-Cash Loans (*****)	714.093	730.990	13.677	1.458.760
Prior Period				
Total Assets	5.394.031	9.759.054	97.024	15.250.109
Total Liabilities	5.743.610	9.757.191	5.612	15.506.413
Net Balance Sheet Position	(349.579)	1.863	91.412	(256.304)
Net Off -Balance Sheet Position	234.076	(61.765)	(89.210)	83.101
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 (*****)	800.762	579.223	11.880	1.391.865

(*) Exchange rate differences arising from derivative transactions amounting to TL 184.382 is deducted from "Financial Assets at Fair Value through Profit and Loss".

(**) Loans extended include TL 1.315.894 foreign currency indexed loans.

(***) Prepaid expenses amounting to TL 371 and forward foreign exchange purchase transaction rediscounts amounting to TL 25 have not been included in "Other Assets".

(****) Forward foreign exchange purchase transaction rediscounts amounting to TL 37 have not been included in "Miscellaneous Payables".

(*****) Marketable securities valuation decrease fund amounting to (TL 26.774) and exchange rate differences arising from derivative transactions amounting to TL 159.853 have not been included in "Other Liabilities". Borrower funds amounting TL 3.806 based on foreign currencies have been included in "Other Liabilities".

(*****) Has no effect on net off-balance sheet position.

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III. Explanations related to consolidated currency risk (continued)

The Group is mostly exposed to Euro, US Dollars and 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 (*)		Effect on Equity (**)	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(1.955)	(6.769)	(3.185)	779
Euro	10	(19.425)	(11.755)	337	205
Other	10	73	220	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity (**)	
	%	Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	1.955	6.769	3.185	(779)
Euro	10	19.425	11.755	(337)	(205)
Other	10	(73)	(220)	-	-

(*) Values expressed are before the tax effect.

(**) Effect on equity does not include effect on profit/loss.

IV. 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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IV. 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	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	413.451	-	-	-	-	364.625	778.076
Banks	465.969	11.133	-	-	-	20.847	497.949
Financial Assets at Fair Value Through Profit and Loss	53.716	92.777	135.422	67.326	34.413	3.383	387.037
Money Market Placements	191.973	62.961	-	-	-	-	254.934
Available-for-Sale Financial Assets	333.011	288.125	844.154	890.502	665.957	46.663	3.068.412
Loans	1.992.927	5.644.313	6.538.267	2.632.395	528.143	-	17.336.045
Held-to-Maturity Investments	180.460	645.935	362.595	-	186.739	-	1.375.729
Other Assets	-	272	1.295	1.949	548	1.173.240	1.177.304
Total Assets	3.631.507	6.745.516	7.881.733	3.592.172	1.415.800	1.608.758	24.875.486
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.256.160	74	-	-	-	-	1.256.234
Miscellaneous Payables	-	-	-	-	-	193.612	193.612
Marketable Securities Issued	-	-	-	3.486.732	-	-	3.486.732
Funds Provided from Other Financial Institutions	3.595.439	5.563.880	3.350.968	1.573.342	2.043.867	-	16.127.496
Other Liabilities (**)	35.138	98.963	174.741	64.075	4.630	3.433.865	3.811.412
Total Liabilities	4.886.737	5.662.917	3.525.709	5.124.149	2.048.497	3.627.477	24.875.486
Balance Sheet Long Position	-	1.082.599	4.356.024	-	-	-	5.438.623
Balance Sheet Short Position	(1.255.230)	-	-	(1.531.977)	(632.697)	(2.018.719)	(5.438.623)
Off-Balance Sheet Long Position	-	14.267	-	18.604	228.421	-	261.292
Off-Balance Sheet Short Position	(62.216)	-	(140.032)	-	-	-	(202.248)
Total Position	(1.317.446)	1.096.866	4.215.992	(1.513.373)	(404.276)	(2.018.719)	59.044

(*) 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.

(**) Borrower funds amounting to TL 5.317 are presented in "Other Liabilities" within 1-month maturity column.

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IV. 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)*

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
Assets							
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
Total Assets	4.862.169	5.124.224	6.547.880	2.333.634	1.101.907	1.396.766	21.366.580
Liabilities							
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 (**)	54.685	43.100	86.427	18.731	8.483	3.050.078	3.261.504
Total Liabilities	6.160.398	4.522.077	2.799.083	3.086.371	1.619.275	3.179.376	21.366.580
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)
Total Position	(1.676.252)	511.108	4.179.368	(753.818)	(524.083)	(1.782.610)	(46.287)

(*) 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.

(**) Borrower funds amounting to TL 30.677 are presented in "Other Liabilities" within 1-month maturity column.

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IV. Explanations related to consolidated interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	0,50	-	3,94
Banks	2,23	1,85	-	11,39
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,30
Money Market Placements	-	-	-	10,96
Available-for-Sale Financial Assets	5,59	4,77	-	9,95
Loans	3,56	5,47	-	13,29
Held-to-Maturity Investments	-	5,59	-	10,35
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,27	0,50	-	7,86
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,25	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,91	2,08	-	8,74

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IV. Explanations related to consolidated interest rate risk (continued)

Average interest rates applied to monetary financial instruments in prior period: %

	Euro	US Dollar	Yen	TL
Prior Period				
Assets				
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
Liabilities				
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

V. 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 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	276.903	-	226.279
Quoted	276.903	-	226.279

Prior 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

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V. Explanations related to consolidated stock position risk (continued)

Equity shares risk due from banking book (continued)

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(1.052)	(1.052)	-
Other Share Certificates	114	7.610	7.610	-	-	-
Total	114	7.610	7.610	(1.052)	(1.052)	-

Prior Period		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Core 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	-	-	-
Total	-	3.880	3.880	(949)	-	(949)

VI. Explanations related to the consolidated liquidity risk management and coverage ratio

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 four 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. 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.

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VI. Consolidated liquidity risk management and coverage ratio (continued)

1. Explanations related to the consolidated liquidity risk

1.a Information 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 it's 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 within three months' term. It is determined the base limit as 15% for Liquidity ratio (Liquid Asset/ Total Asset). Also for liquidity adequacy ratios on weekly and monthly basis, the capacity risk rating is set as 110%, that is 10% above legal limit, the level of risk appetite as 115% and the risk limit as 120%. Regarding the total liquidity coverage ratio, at the same level as the legal limit, it is determined the capacity risk as 0%, the risk appetite as 40% and the risk limit as 50%.

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.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Consolidated liquidity risk management and coverage ratio (continued)

1. Explanations related to the consolidated liquidity risk (continued)

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 director (continued)

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.

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 weeks 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 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.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Consolidated liquidity risk management and coverage ratio (continued)

1. Explanations related to the consolidated liquidity risk (continued)

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 Bank follow cash inflow and cash outflow on a regular basis and informs.

The base limit for Consolidated Liquidity Ratio (Consolidated Liquid Assets Consolidated 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.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Consolidated liquidity risk management and coverage ratio (continued)

2. 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.

		Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
		TL+FC	FC	TL+FC	FC
Current Period					
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			1.383.881	494.908
CASH OUTFLOWS					
2	Retail and Customers Deposits	-	-	5	1
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	5	1
5	Unsecured Funding other than Retail and Small Business Customers Deposits	1.056.403	299.183	865.304	232.206
6	Operational deposits	10.928	8.215	2.732	2.054
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	1.045.475	290.968	862.572	230.152
9	Secured funding	-	-	-	-
10	Other Cash Outflows	1.273.741	886.650	1.273.741	886.650
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.273.741	886.650	1.273.741	886.650
12	Debts related to the 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	3.066.786	1.965.271	153.339	98.264
15	Other irrevocable or conditionally revocable commitments	5.281.244	4.150.603	860.903	523.396
16	TOTAL CASH OUTFLOWS			3.153.292	1.740.517
CASH INFLOWS					
17	Secured Lending Transactions	3.088	-	-	-
18	Unsecured Lending Transactions	2.880.100	764.089	2.677.142	655.674
19	Other contractual cash inflows	1.314.314	688.385	1.314.314	688.385
20	TOTAL CASH INFLOWS	4.197.502	1.452.474	3.991.456	1.344.059
				Upper Limit Applied Amounts	
21	TOTAL HQLA STOCK			1.383.881	494.908
22	TOTAL NET CASH OUTFLOWS			788.323	435.129
23	Liquidity Coverage Ratio (%)			148	88

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Consolidated liquidity risk management and coverage ratio (continued)

2. Consolidated Liquidity Coverage Ratio (continued)

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			662.349	566.651
CASH OUTFLOWS				
2 Retail and Customers 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 Cash Outflows	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 the 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
16 TOTAL CASH OUTFLOWS			3.058.814	2.308.004
CASH INFLOWS				
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
20 TOTAL CASH INFLOWS	3.774.130	1.105.954	3.455.736	1.012.686
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			702.829	595.565
22 TOTAL NET CASH OUTFLOWS			764.704	1.295.318
23 Liquidity Coverage Ratio (%)			92	46

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Consolidated liquidity risk management and coverage ratio (continued)

3. Minimum explanations related to the liquidity coverage ratio by Banks

3.a The major components affecting liquidity coverage ratio and the change in the contributing elements in time

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 Information on the components of High Quality Liquid Assets

High Quality Liquid Assets mainly compromises of exposure to Central Bank, that is Required Reserves and Borrowing Securities that are government securities.

3.c The components of funding and their proportion in overall

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 70% while 87% 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 25%. 4% of the Parent Bank's total funding is attained through repo transactions.

3.ç Cash outflows generating derivative transactions and informations about transactions 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 collateral concentration limits

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 the Parent Bank 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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(Continued)

VI. Consolidated liquidity risk management and coverage ratio (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 (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	364.625	413.451	-	-	-	-	-	778.076
Banks	20.847	465.969	11.133	-	-	-	-	497.949
Financial Assets at Fair Value Through Profit and Loss	3.383	22.026	44.601	108.533	115.038	93.456	-	387.037
Money Market Placements	-	191.973	62.961	-	-	-	-	254.934
Financial Assets Available-for-Sale	-	303.484	216.389	253.631	1.236.474	1.011.771	46.663	3.068.412
Loans	-	426.590	1.064.020	3.256.846	8.326.689	4.261.900	-	17.336.045
Held-to-Maturity Investments	-	-	-	-	209.151	1.166.578	-	1.375.729
Other Assets	-	-	-	1.295	1.949	820	1.173.240	1.177.304
Total Assets	338.855	1.823.493	1.399.104	3.620.305	9.889.301	6.534.525	1.219.903	24.875.486
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	228.063	266.196	2.170.810	6.540.199	6.922.228	-	16.127.496
Money Market Borrowings	-	1.256.160	74	-	-	-	-	1.256.234
Securities Issued	-	-	-	-	3.486.732	-	-	3.486.732
Miscellaneous Payables	-	-	-	-	-	-	193.612	193.612
Other Liabilities (**)	-	21.392	44.253	101.857	152.398	57.647	3.433.865	3.811.412
Total Liabilities	-	1.505.615	310.523	2.272.667	10.179.329	6.979.875	3.627.477	24.875.486
Liquidity Gap	388.855	317.878	1.088.581	1.347.638	(290.028)	(445.350)	(2.407.574)	-
Net Off-balance sheet Position	-	7.762	399	782	38.040	12.062	-	59.045
Financial Derivative Assets	-	1.694.093	1.573.08	2.916.888	6.827.177	4.106.192	-	17.117.437
Financial Derivative Liabilities	-	1.686.331	1.572.68	2.916.106	6.789.137	4.094.130	-	17.058.392
Non-cash Loans (***)	-	21.227	5.182	33.578	551.991	508.482	548.748	1.669.208
Prior Period								
Total Assets	331.972	2.677.611	908.862	3.125.192	8.250.052	5.008.097	1.064.794	21.366.580
Total Liabilities	-	2.905.051	201.890	1.857.520	7.335.802	5.886.941	3.179.376	21.366.580
Liquidity Gap	331.972	(227.440)	706.972	1.267.672	914.250	(878.844)	(2.114.582)	-
Net Off-balance sheet Position	-	(4.776)	(9.660)	(18.966)	(15.589)	2.434	-	(46.557)
Financial Derivative Assets	-	1.635.072	466.271	1.261.331	3.511.988	3.225.292	-	10.099.954
Financial Derivative Liabilities	-	1.639.848	475.931	1.280.297	3.527.577	3.222.858	-	10.146.511
Non-cash Loans (***)	-	7.770	6.596	173.789	707.238	586.622	300.649	1.782.664

(*) 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.

(**) Borrower funds amounting to TL 5.317 are presented in "Other Liabilities" within 1-month maturity column.

(***) Has no effect on net off-balance sheet position.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VI. Consolidated liquidity risk management and coverage ratio (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
Liabilities							
Funds Provided from Other Financial Institutions	247.785	295.038	2.302.132	7.230.253	7.485.111	(1.432.823)	16.127.496
Money Market Borrowings	1.251.259	5.095	-	-	-	(120)	1.256.234
Marketable Securities Issued	-	-	179.300	1.580.100	2.376.364	(649.032)	3.486.732
Funds	5.317	-	-	-	-	-	5.317
Total	1.504.361	300.133	2.481.432	8.810.353	9.861.475	(2.081.975)	20.875.779

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
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
Funds	-	-	106.393	2.371.638	-	(440.460)	2.037.571
Total	30.677	-	-	-	-	-	30.677
Prior Period	3.017.633	187.991	2.014.676	8.033.397	6.225.978	(1.473.221)	18.006.454

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	2.500.269	981.036	893.670	13.477.201	8.225.891	(82.833)	25.995.234
Forward Contracts	212.286	534.798	322.387	61.644	-	-	1.131.115
Futures Transactions	-	-	-	-	-	-	-
Options	527.407	1.653.321	4.629.408	121.800	-	-	6.931.936
Other	117.544	-	-	-	-	-	117.544
Total	3.357.506	3.169.155	5.845.465	13.660.645	8.225.891	(82.833)	34.175.829

Prior 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
Total	3.276.145	946.819	2.548.739	6.987.588	6.509.727	(22.553)	20.246.465

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VII. Explanations related to consolidated leverage ratio

a) Information about the consolidated leverage ratio between current and prior periods

The table related to calculation of leverage ratio in accordance with the principles of the “Regulation on Measurement and Evaluation of Banks’ Leverage Level” which is published on the Official Gazette no.28812 dated 5 November 2013 is given below.

As of 31 December 2016, leverage ratio of the Bank calculated from the arithmetic average of the three months is 10,51% (31 December 2015: 10,93%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 5,49 % compare to prior period.

b) Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS

		Current Period	Prior Period
1	Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS ^(*)	22.546.046	21.372.991
2	The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ^(*)	(3.224)	6.411
3	The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks ^(*)	(157.005)	(162.203)
4	The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks ^(*)	2.297.925	2.643.939
5	The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks ^(*)	(3.174.771)	(3.342.558)
6	The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks ^(*)	-	-
7	Total Exposures ^(*)	29.431.796	24.912.639

(*) The arithmetic average of the last 3 months in the related periods.

(**) 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 2016 figures used in this table due to the current period and 31 December 2015 for prior 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(*)	Current Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	24.963.768	19.872.393
2	(Assets deducted from Core capital)	(122.235)	(127.184)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	24.841.533	19.745.209
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	309.871	199.076
5	Potential credit risk amount of derivative financial assets and credit derivatives	221.170	132.198
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	531.041	331.274
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	346.184	384.893
8	Risk amount arising from intermediary transactions	38.688	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	384.872	384.893
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	6.849.121	6.053.628
11	(Correction amount due to multiplication with credit conversion rates)	(3.174.771)	(3.342.558)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	3.674.350	2.711.070
	Capital and total risk		
13	Core Capital	3.093.277	2.444.127
14	Total risk amount (sum of lines 3, 6, 9 and 12)	29.431.796	23.172.446
	Leverage ratio		
15	Leverage ratio	10,51%	10,55%

(*) Arithmetic average of the last 3 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 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
Financial Assets	22.536.861	19.310.162	23.426.905	19.423.133
Money Market Placements	254.934	1.080.724	254.934	1.080.724
Banks	497.949	751.545	497.949	751.545
Available-For-Sale Financial Assets	3.068.412	2.972.162	3.068.412	2.972.162
Held-To-Maturity Investments	1.375.729	872.602	1.363.859	872.602
Loans (*)	17.339.837	13.633.129	18.241.751	13.746.100
Financial Liabilities	21.069.391	18.135.753	20.996.688	18.147.298
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	17.389.047	15.968.884	17.389.047	15.968.884
Marketable Securities Issued	3.486.732	2.037.571	3.414.029	2.049.116
Miscellaneous Payables	193.612	129.298	193.612	129.298

(*) Loans include financial lease receivables.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i-** For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii-** For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii-** For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.
- 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.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VIII. Explanations related to presentation of financial assets and liabilities by fair value (continued)

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 (Level 3).

Current Period	Level I	Level II	Level III (*)
Financial Assets			
Financial Assets Held for Trading	13.001	374.036	-
Financial Assets Available For Sale	1.926.327	1.142.431	13.915
Derivative Financial Assets For Hedging Purposes		272	
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	320.797	-
Derivative Financial Liabilities For Hedging Purposes	-	51.433	-

Real estates which are presented in the financial statements at fair value are classified at level 2; investment properties of companies included in consolidation are classified at level 2 and level 3.

Prior Period	Level I	Level II	Level III(*)
Financial Assets			
Financial Assets held for Trading	39.779	169.794	-
Financial Assets Available For Sale	1.890.450	1.063.795	14.533
Tangible Assets	-	199.221	-
Investment Properties (Net)	-	19.905	221.388
Derivative Financial Assets For Hedging Purposes	-	4.093	-
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	174.950	-
Derivative Financial Liabilities For Hedging Purposes	-	5.799	-

(*) The share of Cam Elyaf was involved in financial asset available for sale in the prior period, with the net book value of TL 618 in the "Level III" category were sold in the current period.

IX. 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.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management

Linkages between financial statements and risk amounts

The footnotes prepared in accordance with the "Regulation on Calculation Risk Management Disclosures", which was published in the Official Gazette No. 29511 of 23 October 2015 and entered into force as of 31 March 2016, and the disclosures pertaining thereto are provided in this section.

As the standard approach is utilized for the calculation of the capital adequacy of the Bank, no statement has been included as regards the methods based on internal models as per the relevant communiqué.

Disclosures on the Risk management approach and risk-weighted amount

Risk management approach of the Parent Bank allows for ensuring the establishment of a common risk culture covering the entire institution within the scope of the policies and codes of practice designated by the Board of Directors, for identifying risks in harmony with international arrangements and for performing the activities of measurement, analysis, monitoring and reporting accordingly.

Risk management process is structured within the scope of related policies and practice principals that creates a risk culture throughout the company and has a framework which is coherent with international regulations in the manner of evaluation, analyzing, monitoring, and reporting operations. Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

Risk Management Department develops the systems required within the process of risk management and carries out the relevant activities, monitors the compliance of risks with policies, standards, limits of the Bank and its risk appetite indicators and performs activities aimed at harmonization with the relevant legislation and the Basel criteria. Risk measurements are performed through the standard approaches for legal reporting and the advanced approaches are utilized internally.

Risk Management Department submits its detailed risk management reports prepared on monthly and quarterly basis to the Board of Directors via the Audit Committee. These reports cover measurements regarding main risks, stress tests and scenario analyses and the status of compliance with the identified limit levels and risk appetite indicators.

Prospective risk assessments are carried out by conducting periodical stress tests on loan, market and interest risks and the impact of results on the overall financial power of the Bank is evaluated. The relevant results are notified to the Audit Committee and contribute to the assessment of the financial structure of the Bank at the moment of stress. Stress test scenarios are determined by evaluating the impacts posed by previous economic crises on macroeconomic indicators and expectations from the upcoming period. By estimating the risks and capital position of the Bank within the upcoming period, various analyses are performed in terms of legal and internal capital adequacy ratios, and the ICAAP (Internal Capital Adequacy Assessment Process) report is submitted to the BRSA.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period (*)	Current Period
1	Credit risk (excluding counterparty credit risk)	19.834.989	16.197.555	1.586.799
2	Standardised approach	19.834.989	16.197.555	1.586.799
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	695.368	347.511	55.629
5	Standardised approach for counterparty credit risk	695.368	347.511	55.629
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	863.475	529.263	69.078
17	Standardised approach	863.475	529.263	69.078
18	Internal model approaches	-	-	-
19	Operational risk	1.113.544	1.016.000	89.084
20	Basic indicator approach	1.113.544	1.016.000	89.084
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	22.507.376	18.090.329	1.800.590

(*) The counterparty credit risk amount is included in the market and credit risk amounts in the financial statement and notes dated 31 December 2015.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation

Assets	Carrying values in financial statements prepared as per TAS (*)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	798.312	778.076	778.076	-	-	-	-
Financial Assets Held for Trading	-	-	-	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	32.561	387.037	-	374.032	-	387.037	-
Bank	682.51	497.949	497.949	-	-	-	-
Money Market Placements	1.353.572	254.934	254.033	901	-	901	-
Financial Assets Available-for-Sale (net)	3.241.665	3.068.412	3.068.412	895.472	-	-	-
Loans and Receivables	14.329.504	17.336.045	17.336.045	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Held-to-Maturity (net)	894.837	1.375.729	1.375.729	129.784	-	-	-
Investment in Associates (net)	304.152	324.477	292.215	-	-	-	32.262
Investment in Subsidiaries (net)	-	1.609	1.609	-	-	-	-
Joint-Ventures (net)	-	1.760	1.760	-	-	-	-
Finance Lease Receivables	-	3.792	3.792	-	-	-	-
Derivative Financial Assets Held for Risk Management	242.948	272	-	272	-	-	-
Tangible Assets (net)	205.790	231.328	226.073	-	-	-	5.255
Intangible Assets (net)	2.426	3.098	-	-	-	-	3.098
Investment Properties	242.340	231.323	231.323	-	-	-	-
Tax Assets	18.230	21.214	21.214	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Other Assets	197.199	358.431	335.612	-	-	-	22.819
Total Assets	22.546.046	24.875.486	24.423.842	1.400.461	-	387.938	63.434

(*) 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 as at 30 June 2016 are used.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation

Liabilities	Carrying values in financial statements prepared as per TAS (**)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	201.794	320.797	-	-	-	320.797	-
Funds Borrowed	13.402.532	16.127.496	-	532.231	-	-	15.595.265
Money Market Funds	2.395.936	1.256.234	-	295.354	-	5.916	954.964
Securities Issued	2.943.421	3.486.732	-	-	-	-	3.486.732
Funds	-	5.317	-	-	-	-	5.317
Miscellaneous Payables	-	193.612	-	-	-	-	193.612
Other Liabilities	-	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	-	51.433	-	-	-	-	51.433
Provisions	223.007	279.033	-	-	-	-	279.033
Tax Liability	-	11.779	-	-	-	-	11.779
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Debts	145.078	-	-	-	-	-	-
Shareholders' Equity	3.234.278	3.143.053	-	-	-	-	3.143.053
Total Liabilities	22.546.046	24.875.486	-	827.585	-	326.713	23.721.188

(*) The amount of the financial instruments included in the trading accounts in accordance with TAS within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", has been included.

(**) 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 as at 30 June 2016 are used.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		Total	Credit Risk (*)	Securitization Positions	Counterparty credit risk (*)	Market risk (**)
1	Asset carrying value amount under scope of regulatory consolidation	24.875.486	24.423.842	-	1.400.461	387.938
2	Liabilities carrying value amount under regulatory scope of consolidation	24.875.486	-	-	827.585	326.713
	Total net amount under regulatory scope of consolidation	-	24.423.842	-	572.876	61.225
3	Off-balance sheet amounts	44.437.712	2.182.356	-	240.982	26.428.029
4	Differences due to prudential filters	-	69.467	-	(37.622)	-
	Risk Amounts	-	26.536.731	-	776.236	26.489.254

(*) The risk amount before the Credit Risk Mitigation are given in credit risk and the counterparty credit risk.

(**) Gross position amounts included in the calculation of market risk are taken as basis.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
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X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

The differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements (continued)

There is no major differences between the financial and regulatory scope of consolidation.

Difference between the amounts of assets within the scope of legal consolidation as valued in accordance with TAS and credit risk exposures results from the transactions which are not subject to credit risk. Difference between off-balance sheet exposures and credit risk exposures results from the application of credit conversion factors to off-balance sheet exposures in line with the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks.

The Bank takes into consideration the principles stipulated in Annex 3 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks for all positions concerning its trading and banking book to be considered in the measurement of its fair value and capital adequacy. The Bank generally uses fair value as valuation methodology. Valuation methods are covered in detail under the title "VI. Disclosures on financial assets" in section "Accounting Policies" of chapter three of the report.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on credit risk

General qualitative information on credit risk

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. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

Credit risk is measured and managed in accordance with the Credit Risk Policies developed within the scope of the Risk Management Policies of the Bank. In this sense, the structure and characteristics of a loan, the provisions of loan agreements and financial conditions, structure of the risk profile until the end of maturity in parallel with potential market trends, guarantees and collaterals, internal risk ratings and potential changes with regard to the ratings in the process of risk exposure and concentrations (a single company, a group of affiliated companies, sector, country etc.) are taken into consideration. Compliance with the limits and risk appetite levels determined by the Board of Directors is monitored. Credit risk is managed by loan allocation and loan monitoring units in the Bank. Creditworthiness of loan customers is monitored and reviewed on a regular basis. Credit limits are set by the Board of Directors, the credit committee of the bank and the loan management. The Bank receives a sufficient amount of collateral in return for the loans extended thereby and its other receivables.

Credit risk is measured, monitored and reported by the Risk Management Department. Concentrations in the loan portfolio, loan quality of the portfolio, collateral structure, measurements concerning capital adequacy, stress tests and scenario analyses and the level of compliance with limits are regularly reported to the Board of Directors and the senior management.

Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
		Defaulted(a)	Non-defaulted (b)	(c)	(d)
1	Loans	51.615	20.026.364	51.615	20.026.364
2	Debt Securities	-	4.472.356	74.878	4.397.478
3	Off-balance sheet	1.166	10.261.300	583	10.261.883
4	Total	52.781	34.760.020	127.076	34.685.725

Changes in stock of default loans and debt securities

	Balance
1 Defaulted loans and debt securities at end of the previous reporting	62.183
2 Loans and debt securities that have defaulted since the last reporting period	3.566
3 Receivables back to non-defaulted status	(12.953)
4 Amounts written off	(15)
5 Other changes	-
6 Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	52.781

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Additional disclosure related to the credit quality of assets

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.

A restructuring refers to; extending a new loan with the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables; due to the temporary liquidity constraint of the borrower. And for these receivables the general allowance will continue to be calculated with in the rates that are specifically followed, during the restructuring period.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

	Risk Types (*)																		
Current Period	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprise s	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	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	359	10.810	2.036	12.846
Farming and Stockbreeding	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	-	10.451	2.036	12.487
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359	359	-	359
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	12.324.983	-	495.823	-	-	-	-	-	-	7	1.020.208	11.800.605	12.820.813
Mining and Quarrying	-	-	-	-	-	-	86.022	-	-	-	-	-	-	-	-	-	-	86.022	86.022
Production	-	-	-	-	-	-	3.548.502	-	474.373	-	-	-	-	-	-	7	593.201	3.429.681	4.022.882
Electricity, Gas and Water	-	-	-	-	-	-	8.690.459	-	21.450	-	-	-	-	-	-	-	427.007	8.284.902	8.711.909
Construction	-	-	-	-	-	-	178.218	-	7.390	-	-	-	-	-	-	-	9.375	176.233	185.608
Services	969.182	-	-	-	-	2.034.069	4.601.255	-	612.336	-	-	-	-	-	320.844	57.341	1.462.874	7.132.153	8.595.027
Wholesale and Retail Trade	-	-	-	-	-	-	230.387	-	6.843	-	-	-	-	-	-	-	1.323	235.907	237.230
Accommodation and Dining	-	-	-	-	-	-	467.364	-	189.878	-	-	-	-	-	-	1.760	1.760	657.242	659.002
Transportation and Telecommunication	-	-	-	-	-	-	740.741	-	111.524	-	-	-	-	-	-	1.555	1.558	852.262	853.820
Financial Institutions	969.182	-	-	-	-	2.034.069	1.636.099	-	-	-	-	-	-	-	315.919	57.341	1.255.215	3.757.395	5.012.610
Real Estate and Rental Services	-	-	-	-	-	-	316.391	-	262.596	-	-	-	-	-	-	-	2.493	576.494	578.987
Professional Services	-	-	-	-	-	-	593.783	-	-	-	-	-	-	-	1.610	-	196.138	399.255	595.393
Educational Services	-	-	-	-	-	-	123.427	-	14.928	-	-	-	-	-	-	-	4.387	133.968	138.355
Health and Social Services	-	-	-	-	-	-	493.063	-	26.567	-	-	-	-	-	-	-	-	519.630	519.630
Others	4.237.467	600	3.091	-	-	-	125.458	-	13.201	-	-	-	-	-	5.764	536.856	3.552.539	1.369.898	4.922.437
Total	5.206.649	600	3.091	-	-	2.034.069	17.241.649	-	1.129.502	-	-	-	-	-	326.615	594.556	6.055.806	20.480.925	26.536.731

(*) Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties (continued)

	<i>Risk Types (*)</i>																		
Prior Period (**)	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprises	Contingent and non-contingent claims on multilateral development banks	Contingent and non-contingent claims on international organizations	Contingent and non-contingent claims on banks and capital market intermediary	Contingent and non-contingent claims on corporates	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	Contingent and non-contingent claims on sovereigns
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	-	-	-	-	-	-	113.824	-	-	-	-	-	-	-	-	-	-	113.824	113.824
Production	-	-	-	-	-	-	2.990.125	-	47.858	-	-	-	-	-	-	5.694	383.402	2.660.275	3.043.677
Electricity, Gas and Water	-	-	-	-	-	-	6.974.680	-	25.800	-	-	-	-	-	-	-	568.994	6.431.486	7.000.480
Construction	-	-	-	-	-	-	224.013	-	-	-	-	-	-	-	-	-	31.091	192.922	224.013
Services	820.639	-	1.088	-	-	3.052.598	3.960.131	-	705.053	-	-	-	-	-	1.654	338.111	1.964.379	6.914.895	8.879.274
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	1.555	882.872	884.427
Financial Institutions	820.639	-	1.088	-	-	3.052.598	1.368.846	-	-	-	-	-	-	-	1.654	336.177	1.910.566	3.670.436	5.581.002
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	112.636	-	14.278	-	170	-	-	-	-	230.414	3.325.780	1.005.940	4.331.720
Total	4.384.752	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

(*) The risk classes included in the Regulation on Measurement and Evaluation of Capital Adequacy of Banks are taken into consideration.

(**) The counterparty credit risk is included.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Profile of Significant Exposures in Major Region

Current Period	Risk Types (*)															
	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprises	Contingent and non-contingent claims on multilateral development banks	Contingent and non-contingent claims on international organizations	Contingent and non-contingent claims on banks and capital market intermediary	Contingent and non-contingent claims on corporates	Contingent and non-contingent claims included in the regulatory real estate portfolios	Contingent and non-contingent claims secured by residential property	Past due loans	Higher-risk categories defined by agency	Securities secured by mortgage	Short-term claims on banks and corporate	Undertakings for collective investments in transferable securities	Other claims	Total
Domestic	5.206.648	600	3.091	-	-	1.589.710	16.952.527	-	1.129.502	-	-	-	-	82.632	473.784	25.438.494
European Union (EU) Countries	-	-	-	-	-	256.090	-	-	-	-	-	-	-	12.818	-	268.908
OECD Countries (**)	-	-	-	-	-	2.229	-	-	-	-	-	-	-	-	-	2.229
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	33.839	-	-	-	-	-	-	-	-	-	33.839
Other Countries	-	-	-	-	-	152.201	70.007	-	-	-	-	-	-	-	-	222.208
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	213.903	-	-	-	-	-	-	225.401	-	439.304
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	5.212	-	-	-	-	-	-	5.764	120.773	131.749
Total	5.206.648	600	3.091	-	-	2.034.069	17.241.649	-	1.129.502	-	-	-	-	326.615	594.557	26.536.731

(*) Risk types in the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” have been used. Since there is no securitization exposure “Securitization Exposure” column has been deleted.

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

(***) 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)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Profile of Significant Exposures in Major Region

		Risk Types (*)																	
Prior (****)	Period	Contingent and non- contingent claims on sovereigns	Contingent and non- contingent claims on regional governments and local authorities	Contingent and non- contingent claims on administrat ive 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	Contingen t and non- contingent claims secured by residential property	Past due loans	Higher- risk categoric s defined by agency	Securitie s secured by mortgage	Securitizati on exposures	Short- term claims on banks and corporate	Undertakin gs for collective investment s in transferable securities	Other claims	Total	
Domestic		4.371.346	-	1.088	-	-	2.408.933	14.125.316	-	792.989	-	170	-	-	-	-	-	132.331	21.832.173
European Union (EU) Countries		-	-	-	-	-	389.437	-	-	-	-	-	-	-	-	-	-	10.121	399.558
OECD Countries (**)		-	-	-	-	-	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 (***)		13.406	614	738	-	-	408.757	10.056	-	-	-	-	-	-	-	-	1.654	226.247	661.472
Total		4.384.752	614	1.826	-	-	3.461.355	14.376.912	-	792.989	-	170	-	-	-	-	1.654	574.598	23.594.870

(*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

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

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

(****) The counterparty credit risk is included

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to 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	622.367	1.165	377.492	148.307	3.286.448
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	1.357	-	-	-	1.674
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	688.888	92.659	188.064	54.380	662.115
Contingent and Non-Contingent Claims on Corporates	98.556	545.345	528.064	1.202.850	14.730.991
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	1.939	395	21.327	11.868	1.084.680
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	5.552	-	-	-	16.866
Total	1.418.659	639.564	1.114.947	1.417.405	19.782.774

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities (continued)

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	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 Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential 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
Total	3.201.059	522.584	620.274	1.632.821	16.408.876

(*) Counterparty credit risk is included.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Information of major sectors or type of counterparties

Current Period	Loans		Value	
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.446	-	-	(3.446)
Farming and Stockbreeding	3.446	-	-	(3.446)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	35.902	20.281	349	(35.902)
Mining and Quarrying	193	-	-	(193)
Production	1.972	20.281	349	(1.972)
Electricity, Gas and Water	33.737	-	-	(33.737)
Construction	9.091	-	-	(9.091)
Services	3.044	-	-	(3.044)
Wholesale and Retail Trade	870	-	-	(870)
Accommodation and Dining	674	-	-	(674)
Transportation and Telecommunication	57	-	-	(57)
Financial Institutions	1.287	-	-	(1.287)
Real Estate and Rental Services	-	-	-	-
Professional Services	156	-	-	(156)
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	132	-	-	(132)
Total	51.615	20.281	349	(51.615)

The Bank's all impaired and non-performing receivables comprise of domestic receivables.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Information of major sectors or type of counterparties (continued)

Prior Period	Loans		Value	
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.446	-	-	(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)
Total	61.017	15.141	-	(61.017)

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	61.017	3.567	(12.969)	-	51.615
General Loan Loss Provision	144.043	33.124	-	-	177.167

Prior 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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Information related with value adjustments and loan loss provisions (continued)

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, 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	20.281	-	-	-	20.281
Loans to SME	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	20.281	-	-	-	20.281

For the restructured loans and other receivables amounting to TL 194.994 in the first and second group, general provision amounting to TL 3.401, for credit and other receivables restructured as non-performing loans amounting to TL 10.707 special provision amounting to TL 10.707.

Prior 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
Loans to SME	-	11.293	-	-	11.293
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	3.848	11.293	-	-	15.141

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

As for the valuations performed within the scope of credit risk mitigation techniques, the methods used for the valuation and management of collaterals are utilized in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as a credit risk reduction technique.

Financial collaterals are subject to daily valuation at the Bank. Depending on the use of the comprehensive financial collateral method, risk-mitigating impacts of the collaterals are taken into consideration by way of standard volatility adjustments. Valuations of the real estate mortgages utilized for the calculation of capital adequacy are regularly reviewed. It is ensured that the value of real estates be ascertained by the valuation institutions authorized by the CMB.

Major collaterals that can be used by the Bank within the scope of credit risk mitigation techniques are financial collaterals, guarantees and mortgages. In the report dated 31 December 2016, financial collaterals and mortgages were used as the credit risk reduction technique in the calculation of credit risk exposure.

Current Period	Risk Amount (*)	Average Risk Amount (**)
Contingent and non-contingent claims on sovereigns	5.366.381	4.851.148
Contingent and non-contingent claims on regional governments and local authorities	3.000	2.761
Contingent and non-contingent claims on administrative units and non-commercial enterprises	10.269	8.924
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	3.065.003	4.516.002
Contingent and non-contingent claims on corporates	24.072.266	18.644.361
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-
Contingent and non-contingent claims secured by real estate property	1.152.136	1.243.116
Past due loans	-	-
Higher-risk categories defined by agency	-	30
Securities secured by mortgage	-	-
Securitization exposures	-	-
Short-term claims on banks and corporate	-	286
Undertakings for collective investments in transferable securities	326.615	167.833
Other claims	675.058	691.233

(*) Includes total risk amounts before the effect of credit risk mitigation.

(**) Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from 1 January 2016 to the period end.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Credit Risk Mitigation (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 (*)	Average Risk Amount (**)
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

(*) Includes total risk amounts before the effect of credit risk mitigation.

(**) Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from 1 January 2015 to the period end.

(***) Includes the counterparty credit risk.

Current Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation	3.214.264	84	514.253	5.022.499	-	17.855.097	-	-	-	159.928
Exposures After Credit Risk Mitigation	3.214.264	84	514.253	6.152.000	-	16.656.130	-	-	-	159.928

(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

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 Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation	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

(*)The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Credit risk mitigation techniques - Standard approach

	Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	18.678.486	1.347.878	1.159.048	-	-	-	-
2 Debt securities	4.397.478	-	-	-	-	-	-
3 Total	23.075.964	1.347.878	1.159.048	-	-	-	-
4 Of which	51.615	-	-	-	-	-	-

Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The ratings given by international credit rating agency Fitch Ratings are used to determine the risk weights in adequacy calculation regarding receivables from receivables from banks and intermediary institutions and corporates reside abroad, central sovereigns and central bank, Receivables from residents in Turkey are classified as unrated. These credit ratings are not used for the instruments issued by the debtor.

Ratings given by Fitch Ratings are matched with credit quality levels and risk weights based on risk classes as shown in the following table:

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(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach

Current Period		Risk Types			
Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
Unrated	D	100%	20% (*)	50% (*)	100%
	Unrated				

(*) Used in case when the risk weight of the sovereign of the Bank's country is not higher.

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(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Standardised approach – Credit risk exposure and credit risk mitigation effects

	Asset classes	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	5.166.716	199.666	5.166.716	39.932	996.206	19%
2	Exposures to regional and local governments	3.000	-	600	-	600	100%
3	Exposures to administrative bodies and non-commercial entities	1.526	8.743	1.342	1.749	3.091	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and capital market intermediary	2.554.154	510.849	1.821.806	212.263	870.289	43%
7	Exposures to corporates	15.621.192	8.451.072	15.610.450	1.631.199	16.478.909	96%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial real estate	1.089.582	62.554	1.089.582	39.920	564.751	50%
11	Past-due items	51.615	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, capital market intermediary and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	593.151	81.908	523.683	70.874	594.528	100%
17	Equity share investments	326.615	-	326.615	-	326.615	100%
18	Total	25.407.551	9.314.792	24.540.794	1.995.937	19.834.989	75%

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standardised approach (continued)

Standardised approach - Exposures by asset classes and risk weights

	Risk Groups/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	200%	Others	Total Risk Amount (*)
1	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	3.214.235	-	-	1.992.413	-	-	-	-	-	5.206.648
2	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	-	-	-	-	-	600	-	-	-	600
3	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	-	-	-	-	-	3.091	-	-	-	3.091
4	Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
5	Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-
6	Contingent and Non-Contingent Receivables from Banks and Capital Market Intermediaries	-	84	514.253	1.504.605	-	15.127	-	-	-	2.034.069
7	Exposures to corporates	-	-	-	1.525.480	-	15.716.169	-	-	-	17.241.649
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.129.502	-	-	-	-	-	1.129.502
10	Past-due loans	-	-	-	-	-	-	-	-	-	-
11	Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, capital market intermediaries and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	326.615	-	-	-	326.615
16	Other exposures	29	-	-	-	-	594.528	-	-	-	594.557
17	Total	3.214.264	84	514.253	6.152.000	-	16.656.130	-	-	-	26.536.731

(*) Total Risk Amount: Included the total risk amounts after the effect of credit risk mitigation and credit conversions.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR)

Qualitative disclosures on CCR

Counterparty credit risk is managed by monitoring the concentrations at various levels with regard to counterparty credit risks, the capital requirement imposed by the counterparty credit risk and the limits set by the Board of Directors for counterparty transactions. Moreover, the ratio of the counterparty credit risk exposure to total risk-weighted assets has been identified as a risk appetite indicator.

Counterparty credit risk resulting from repurchase transactions, securities and commodities lending transactions and derivatives transactions is calculated within the framework of Annex 2 of the Regulation on the Measurement and Assessment of the Capital Adequacy of Banks. Fair Value Valuation Method is applied for derivatives transactions. Risk exposure of derivative transactions is equal to the sum of replacement cost and potential credit risk amount. Besides, capital requirement is also calculated for credit valuation adjustment (CVA) risk in relation to derivatives transactions. For repurchase and securities lending transactions risk amount is calculated considering volatility and credit quality level.

Derivatives transactions executed with counterparties are carried out within the scope of "ISDA" and "CSA" agreements. These agreements contain the same collateralization provisions for our Bank and counterparties and daily collateral settlement is performed.

Analysis of counterparty credit risk exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	374.304	240.982	-	-	545.633	357.494
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	230.604	133.203
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	490.697

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on counterparty credit risk (CCR)

Credit valuation adjustment (CVA) for capital charge

		Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	545.632	204.672
4	Total subject to the CVA capital charge	545.632	204.672

Standardised approach – Counterparty credit risk exposures by regulatory portfolio and risk weights

Risk weight / Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Exposures to sovereigns and their central banks	1.450	-	-	-	-	-	-	-	1.450
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	521	-	-	521
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and capital market intermediary	-	-	43.451	482.160	-	-	-	-	525.611
Exposures to corporates	-	-	-	16.498	-	230.316	-	-	246.814
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures on landed real estate	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	1.841	-	-	1.841
Other assets	-	-	-	-	-	-	-	-	-
Total	1.450	-	43.451	498.658	-	232.678	-	-	776.237

(*) Total Credit Exposures Amount: The amount which is related to capital adequacy calculation after implementation of counter party credit risk mitigation techniques.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Collaterals used for CCR

	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	334.440	-
Cash – foreign currency	-	69.654	-	-	493.145	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	69.654	-	-	827.585	-

Credit derivatives

None.

Exposure to central counterparties (CCP)

None.

Explanations on securitizations

None.

Disclosures on market risk

Qualitative information to be disclosed to public concerning market risk

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. 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.

Interest rate, exchange rate, stock and commodity price risks are 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 monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on market risk (continued)

Qualitative information to be disclosed to public concerning market risk

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSA Standard Method and Risk Value of Return (VaR) approach. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

In addition to the activities of the Risk Management Department, the Treasury Control Unit also reports daily positions and limit use status to the senior management.

Market Risk-standard approach

		RWA
	Outright products	-
1	Interest rate risk (general and specific)	614.262
2	Equity risk (general and specific)	1.950
3	Foreign exchange risk	247.263
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	863.475

Disclosure on operational risk

Information to be disclosed to the public regarding market risk

Operational Risk Exposure is measured in the Bank once a year by using the Basic Indicator Method based on the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks".

	31/12/2013	31/12/2014	31/12/2015	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	509.813	617.803	654.055	593.890	15	89.084
Capital Requirement for Operational Risk (Total*12,5)						1.113.544

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on interest rate risk resulting from banking book

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk Banking Accounts Duration and sensitivity analysis are conducted on a monthly basis by the Bank in the scope of monitoring of interest rate risk arising from the banking books about Interest Rate Risk in the Banking Accounts from the Regulation on Measurement and Assessment of Standard Shock Method.

The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué 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	(155.521) / 147.503	(5,02%) / 4,76%
Euro	+200 / (200) basis point	32.523 / (15.160)	1,05% / (0,49%)
US Dollar	+200 / (200) basis point	(57.320) / 55.837	(1,85%) / 1,80%
Total (for Negative Shocks)		188.181	6,07%
Total (for Positive Shocks)		(180.318)	(5,82%)

Prior 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%
Total (for Negative Shocks)		114.019	4,34%
Total (for Positive Shocks)		(118.509)	(4,50%)

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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	29	-	21	-
Balances with the Central Bank of Turkey	161.276	616.771	40.426	770.676
Other	-	-	-	-
Total	161.305	616.771	40.447	770.676

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	161.276	3.995	40.426	3.437
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	612.776	-	767.239
Total	161.276	616.771	40.426	770.676

(*) 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 begun 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. The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 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 2016 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	Reserve Ratio
Other liabilities until 1 year maturity (1 year include)	10,5
Other liabilities until 3 year maturity (3 year include)	7
Other liabilities more than 5 year maturity	4

Reserve Rates for FC Liabilities (%)		
Original Maturity	Reserve Ratio If the fund borrowed Before 28.08.2015	Reserve Ratio If the fund borrowed After 28.08.2015
Other liabilities until 1 year maturity (1 year included)	19	24
Other liabilities until 2 year maturity (2 year included)	13	19
Other liabilities until 3 year maturity (3 year included)	7	14
Other liabilities until 5 year maturity (5 year included)	6	6
Other liabilities more than 5 year maturity	5	4

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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)

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 1.298 (31 December 2015: TL 2.544).

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 2015: 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 Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2015: 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 2015: 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	13.290	8.819	769	2.606
Swap Transactions	113.508	112.792	9.239	83.584
Futures Transactions	-	-	-	-
Options	-	125.627	-	73.596
Other	-	-	-	-
Total	126.798	247.238	10.008	159.786

3 Information on banks and foreign bank accounts:

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	60.098	376.443	72.617	641.420
Foreign	15.010	46.398	-	37.508
Branches and head office abroad	-	-	-	-
Total	75.108	422.841	72.617	678.928

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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 (continued)

3.b Information on banks and foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	8.486	3.514	-	-
USA and Canada	1.948	3.782	-	-
OECD Countries (*)	1.041	30.212	-	-
Off-shore banking regions	-	-	-	-
Other	49.933	-	-	-
Total	61.408	37.508	-	-

(*) 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	111.173	-	1.506.099	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	101.682	-	76.662
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	111.173	101.682	1.506.099	76.662

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 1.252.789 (31 December 2015: TL 737.201).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	497.581	755.208	259.298	477.903
Other	-	-	-	-
Total	497.581	755.208	259.298	477.903

4.b Major types of available for sale financial assets:

Available for sale financial assets comprised of government bonds 59,38%, Eurobonds 31,52% and shares and other securities 9,1% (31 December 2015: government bonds 60,33%, Eurobonds 27,97% and shares and other securities 11,70%).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

4. Information on available-for-sale financial assets (continued)

4.c Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	3.096.626	2.967.995
Quoted on a stock exchange	2.040.539	2.106.882
Unquoted	1.056.087	861.113
Share certificates	53.695	48.065
Quoted on a stock exchange	11.834	10.533
Unquoted	41.861	37.532
Impairment provision(-)	(81.909)	(43.898)
Total	3.068.412	2.972.162

The net book value of unquoted available for sale share certificates is TL 35.882 (31 December 2015: TL 28.037).

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	21.131	-	84.840	117.412
Corporate shareholders	21.131	-	84.840	117.412
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	217	-	228	-
Total	21.348	-	85.068	117.412

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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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:

Current Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
Cash Loans		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Non-specialized loans	17.071.467	49.896	-	195.112	142.768	2.330
Corporation loans	5.464.266	-	-	8.693	8.693	-
Export loans	157.895	-	-	44.994	44.994	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.211.495	-	-	-	-	-
Consumer loans	217	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	9.237.594	49.896	-	141.425	89.081	2.330
Specialized loans	-	-	-	-	-	-
Other receivables	69.466	-	-	-	-	-
Total	17.140.933	49.896	-	195.112	142.768	2.330

The syndicated loans granted to a company amounting to USD 70.724.223 are classified under “Performing Loans and Other Receivables”. Discussions between creditor banks and related sovereign institutions are proceeding regarding restructuring of loans granted and a positive outcome of these discussions is expected.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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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):

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Cash Loans						
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	-	-	-	-	-
Total	13.488.394	44.435	-	144.735	54.275	64.267

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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):

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	49.896	139.419
Extended for 3-4 or 5 times	-	3.349
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	44.435	54.275
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	-	32.789
2-5 Years	49.896	95.327
5 Years and Over	-	14.652

Prior 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 assets (continued)

5. Explanations on loans (continued)

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	662.731	-	44.994	44.994
Non-specialized loans	593.265	-	44.994	44.994
Specialized loans	-	-	-	-
Other receivables	69.466	-	-	-
Medium and Long-term loans	16.478.202	49.896	150.118	100.104
Non-specialized loans	16.478.202	49.896	150.118	100.104
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

Prior 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	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	-	-	-	-

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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	18	199	217
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	18	199	217
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)	-	-	-
Total	18	199	217

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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	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)	-	-	-
Total	55	173	228

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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 2015: None).

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	125.356	32.171
Private	17.210.689	13.600.958
Total	17.336.045	13.633.129

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	17.263.913	13.546.380
Foreign Loans	72.132	86.749
Total	17.336.045	13.633.129

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	294.292	340.358
Indirect loans granted to subsidiaries and associates	-	-
Total	294.292	340.358

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	3.092	3.603
Loans and receivables with doubtful collectability	-	-
Uncollectible loans and receivables	48.523	57.414
Total	51.615	61.017

Group allocates 100 % provision for all non-performing loans regardless of the collaterals.

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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
Current Period			
(Gross amounts before provisions)	-	-	10.707
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.707
Prior Period			
(Gross amounts before provisions)	-	-	5.395
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	5.395

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
Current Period			
Prior Period End Balance	3.603	-	57.414
Additions (+)	20	-	3.546
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-)	(531)	-	(12.422)
Write-offs (-)	-	-	(15)
Corporate and Commercial Loans	-	-	(15)
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	3.092	-	48.523
Specific Provisions (-)	(3.092)	-	(48.523)
Net Balance on Balance Sheet	-	-	-

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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
Prior Period			
Prior Period End Balance	4.456	-	13.982
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	-	-	-
Current Period End Balance	3.603	-	57.414
Specific Provisions (-)	(3.603)	-	(57.414)
Net Balance on Balance Sheet	-	-	-

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
Current Period			
Period End Balance	1.362	-	-
Specific Provision (-)	(1.362)	-	-
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	1.651	-	38
Specific Provision (-)	(1.651)	-	(38)
Net Balance on Balance Sheet	-	-	-

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) (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
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	3.092	-	47.236
Specific Provision Amount (-)	(3.092)	-	(47.236)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1.287
Specific Provision Amount (-)	-	-	(1.287)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	3.603	-	57.376
Loans to Real Persons and Legal Entities (Gross)	(3.603)	-	(57.376)
Specific Provision Amount (-)	-	-	-
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	38
Other Loans and Receivables (Gross)	-	-	(38)
Specific Provision Amount (-)	3.092	-	47.236
Other Loans and Receivables (Net)	-	-	-

5.k Main principles of liquidating non performing loans and receivables:

If there are collaterals received in according to Article 9 of the “Regulation on the Procedures And Principles For Determination of Qualifications of Loans and Other Receivables By Banks And Provisions to be Set Aside”, these collaterals are converted into cash as soon as possible as a result of both administrative and legal proceedings.

In the absence of collaterals, even if there is evidence of insolvency for the debtor, several financial investigations are apply at various periods to determine whether any property are subsequently acquired and legal proceedings are being followed.

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.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.1 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	14.207.855	3.038.226	217	69.466	17.315.764
Past due not impaired	20.281	-	-	-	20.281
Individually impaired	12.809	35.630	-	3.176	51.615
Total	14.240.945	3.073.856	217	72.642	17.387.660
Less: allowance for individually impaired loans	(12.809)	(35.630)	-	(3.176)	(51.615)
Total allowance for impairment	(12.809)	(35.630)	-	(3.176)	(51.615)
Net Loan Amount	14.228.136	3.038.226	217	69.466	17.336.045

Prior 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
Total	11.403.420	2.219.889	228	70.609	13.694.146
Less: allowance for individually impaired loans	(19.348)	(40.057)	-	(1.612)	(61.017)
Total allowance for impairment	(19.348)	(40.057)	-	(1.612)	(61.017)
Net Loan Amount	11.384.072	2.179.832	228	68.997	13.633.129

A reconciliation of the allowance for impairment losses and advances by classes is as follows:

	Corporate	SME	Consumer	Other	Total
At 1 January 2016	(19.348)	(40.057)	-	(1.612)	(61.017)
Charge for the year	(177)	(1.515)	-	(1.874)	(3.566)
Recoveries	6.716	5.942	-	295	12.953
Amounts written off	-	-	-	15	15
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2016	(14.099)	(35.630)	-	(3.176)	(51.615)

	Corporate	SME	Consumer	Other	Total
At 1 January 2015	(14.452)	(2.488)	-	(1.498)	(18.438)
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	-	-	-	-	-
At 31 December 2015	(19.348)	(40.057)	-	(1.612)	(61.017)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the 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	(14.099)	(35.630)	-	(3.176)	(51.615)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	14.099	35.630	-	3.176	51.615

Prior 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

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
At 1 January	61.017	18.438
Charge for the year	3.566	44.098
Recoveries	(12.953)	(1.490)
Amounts written off	(15)	(29)
Interest accrued on impaired loans and other receivables	-	-
At 31 December	51.615	61.017
Individual impairment	(51.615)	(61.017)
Gross amount of loans, individually determined to be impaired, (before deducting any individually assessed impairment allowance)	51.615	61.017

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	13.608	11.230
Financial assets	-	-
Other (bailment, pledge for vehicles and ship)	5.514	-
Total	19.122	11.230

Loans and other receivables amounting to TL 11.687.620 have floating interest rates (31 December 2015: TL 9.992.711) and the remaining TL 5.648.425 have fixed interest rates (31 December 2015: TL 3.640.418).

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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)

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	-	186.736	-	-
Subject to Repurchase Agreements	129.784	-	714.229	-
Total	129.784	186.736	714.229	-

6.2 Information on public sector debt investments held-to-maturity

	Current Period	Prior Period
Government Bonds	1.375.729	872.602
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	1.375.729	872.602

6.3 Information on held-to-maturity investments

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	1.188.990	715.194
Not Quoted	186.739	157.408
Impairment provision (-)	-	-
Total	1.375.729	872.602

6.4 Movement of held-to-maturity investments within the year

	Current Period	Prior Period
Balance at Beginning of the Period	872.602	-
Foreign Currency Differences on Monetary Assets	31.581	(789)
Purchases During The Period (*)	417.241	851.290
Disposals Through Sales And Redemptions	(1.597)	(5.832)
Impairment Provision (-)	-	-
Interest Income Accruals	55.902	27.933
Balance at End of Period	1.375.729	872.602

(*) The CPI indexed government bonds with the nominal value of TL 339.321 are reclassified to held to maturity investments in current period. The Bank reclassified the "Eurobond" with nominal value of USD 34.577 from financial assets held-to-maturity portfolio and nominal value of TL 533.626 from "CPI indexed government bonds" to investments in available-for-sale portfolio in the prior 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 (*)	15.466	3.677	231	364	-	26	75	-
2	Ege Tarım	11.253	11.096	8.078	118	-	(412)	(172)	-

(*) Represents for the period ended 30 September 2016 financial statements. Prior year profit/loss is obtained from 30 September 2015 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	16,65	57,99

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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):

		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	3.025.426	128.821	677	160.940	-	32.939	24.167	-
2	İş Finansal	4.508.334	755.147	16.751	292.573	-	81.800	81.481	190.820
3	İş Girişim	258.805	256.161	82	11.199	7.721	1.060	773	18.651

	Current Period	Prior Period
Balance at the Beginning of the Period	291.988	261.745
Movements During the Period	30.934	30.243
Purchases	-	927
Bonus Shares Received	-	-
Current Year Share of Profit	38.805	35.279
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	(7.871)	(5.963)
Balance at the End of the Period	322.922	291.988
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 current period The Bank has obtained TL 19.993 bonus shares from İş Finansal Kiralama A.Ş's TL 70.000 capital 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	56.801	44.018
Leasing Companies	222.466	203.964
Financial Service Companies	-	-
Other Financial Associates	43.655	44.006

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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.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	266.121	247.970
Associates Quoted on Foreign Stock Markets	-	-

8. Information related to subsidiaries (net)

8.a.1 Information related to equity component of subsidiaries:

	YF (*)	TSKB GYO (*)
	Current Period	Current Period
CORE CAPITAL		
Paid-in Capital	63.504	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	(120)	(29)
Current and Prior Years' Profit / Loss	(181)	38.818
Leasehold Improvements (-)	(826)	-
Intangible Assets (-)	(1.131)	(13)
Total Core Capital	63.760	198.156
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	63.760	198.156

(*) The information is obtained from financial statements subject to consolidation as of 31 December 2016.

	YF (*)	TSKB GYO (*)
	Prior Period	Prior Period
CORE CAPITAL		
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)
Total Core Capital	70.212	224.290
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	70.212	224.290

(*) The information is obtained from financial statements subject to consolidation as of 31 December 2015.

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)

8. Information related to subsidiaries (net) (continued)

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 TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

8.a.3 Information related to unconsolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Türkiye	59,00	72,48
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	80,65	99,42

		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 (*)	18.544	14.074	1.211	807	-	3.290	1.511	-
2	SD A.Ş. (*)	1.463	1.314	16	98	-	(293)	235	-

(*) The financial data are belongs to period ended 31 December 2016. The prior profit/loss has taken from the table belongs to 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

The share of TSKB Sürdürülebilirlik Danışmanlığı A.Ş. increased in the amount of TL 1 million from TL 240 thousand to TL 1.24 million in the registry date of 20 July 2016 that is the bank's subsidiary share indirectly by Yatırım Finansman Menkul Değerler A.Ş. Equity interest of the Bank in the company has increased to 80,65%.

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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:

	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.(YF)	Istanbul /Turkey	99,99	99,99
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	72,18

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (*)	813.799	65.717	2.172	32.812	1.417	(6.161)	(2.194)	-
TSKB GYO (*)	439.411	198.168	433	480	-	(26.140)	12.381	57.879

(*) 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
Balance at the Beginning of the Period	122.320	133.825
Movements During the Period	6.664	(11.505)
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	5.664	-
Provision for Impairment	-	(11.505)
Balance At the End of the Period	127.984	122.320
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.

Subsidiaries disposed in the current period

At the meeting of Board of Directors dated 18 November 2016 of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., which is the subsidiary of the Bank, considering the investment strategy within the scope of increasing the current rental income and diversifying the portfolio of TSKB GYO and considering the synergy to be created as a result of the merger with İş Gayrimenkul Yatırım Ortaklığı A.Ş. it has been decided to initiate merger negotiations in accordance with the Capital Markets Law no. 6362, Communiqué on the Common Principles Regarding Significant Transactions and the Retirement Right (II-23.1), Communiqué on Merger and Demerger (II.23.2), Turkish Commercial Code No:6102, Corporate Tax Law no:5520 and other relevant legislations. As of the report date the merger negotiations are proceeding.

Subsidiaries purchased in the current period

In the current period, the Group has not purchased any subsidiaries.

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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.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	127.984	122.320

8.a.6 Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	57.879	52.215
Quoted in Foreign Stock Exchange	-	-

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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)

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 hotel has completed and started operations on 1 September 2015.

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 the Anavarza Otelcilik A.Ş. comprises 2.000.000 shares of TL 1 for each amounting to TL 2.000 in total. As of 2 November 2015, paid-in capital of Anavarza Otelcilik has been increased from TL 2.000 to TL 3.500 in cash. TSKB GYO is paid out total of TL 1.750 in cash that corresponding to 50% capital of the company.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	14.240	(7.023)	12.388	-	-	(2.420)	(4.623)	-
Anavarza Hotelier Corporation	2.930	(7)	169	10	-	(548)	(2.945)	-

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	1.552	1.367	98	-
Between 1- 4 years	1.704	1.455	-	-
More than 4 years	1.137	970	-	-
Total	4.393	3.792	98	-

10.b The information on net investments in finance leases:

	Current Period	Prior Period
Gross investments in finance leases	4.393	98
Unearned revenue from finance leases (-)	(601)	(98)
Cancelled finance leases (-)	-	-
Net investments in finance leases	3.792	-

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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.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	-	272	-	4.093
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	272	-	4.093

As of 31 December 2016, 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	7.747.800	272	(51.433)	4.689.900	4.093	(5.799)
FC	7.747.800	272	(51.433)	4.689.900	4.093	(5.799)
TL	-	-	-	-	-	-

11.a.1 Information on fair value hedge accounting

Current Period		Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	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 and Green bond Issued	Interest Rate Risk	44.374	(49.238)	-	(4.864)	
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	3.880	(4.378)	-	(498)	

(*) The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

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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.a.1 Information on fair value hedge accounting (continued)

Prior Period	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	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 and Green bond 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)

(*) The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

12. Information on tangible assets (net)

As of the third quarter of the 2015, the Bank changed its accounting policy and adopted revaluation method for real estates under scope of TAS 16. In 2016 revaluation difference TL 26.705 (31 December 2015: TL 175.285) which are determined by the certified valuation companies, authorized by CMB and BRSA, are recorded under the shareholders' equity.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	197.289	1.931	-	26.705	225.925
Assets held under finance leases	5.250	-	(8)	-	5.242
Vehicles	1.604	-	(129)	-	1.475
Assets held for resale	576	-	-	-	576
Other	25.715	2.363	(2.599)	-	25.479
Total Cost	230.434	4.294	(2.736)	26.705	258.697
Accumulated depreciation				-	
Land and buildings	995	(480)	-	-	515
Assets held under finance leases	(4.884)	(123)	8	-	(4.999)
Vehicles	(656)	(267)	98	-	(825)
Assets held for resale	(3)	-	3	-	-
Other	(18.673)	(3.709)	529	-	(21.853)
Total accumulated depreciation	(23.221)	(4.579)	638	-	(27.162)
Impairment provision				-	
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(186)	(21)	-	-	(207)
Other	-	-	-	-	-
Total impairment provision	(186)	(21)	-	-	(207)
Net book value	207.027	(306)	(2.098)	26.705	231.328

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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. Explanations on tangible assets (net) (continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	38.870	753	-	157.666	197.289
Assets held under finance leases	5.305	-	(55)	-	5.250
Vehicles	1.426	329	(151)	-	1.604
Assets held for resale	1.786	-	(1.210)	-	576
Other	24.176	19.647	(18.108)	-	25.715
Total Cost	71.563	20.729	(19.524)	157.666	230.434
Accumulated depreciation					
Land and buildings	(21.894)	(897)	4.167	17.619	(1.005)
Assets held under finance leases	(4.813)	(126)	55	-	(4.884)
Vehicles	(475)	(292)	111	-	(656)
Assets held for resale	(18)	(13)	28	-	(3)
Other	(17.732)	(2.564)	3.623	-	(16.673)
Total accumulated depreciation	(44.932)	(3.892)	7.984	17.619	(23.221)
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(177)	(42)	33	-	(186)
Other	-	-	-	-	-
Total impairment provision	(177)	(42)	(33)	-	(186)
Net book value	26.454	16.795	(11.507)	175.285	207.027

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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)

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 Parent Bank recorded impairment of TL 21 and there is no reversal of impairment (31 December 2015: TL 42 impairment, there is no reversal of 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 2015: 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.

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	Gross Book Value
Software	3.534	(2.483)	5.232	(3.139)
Goodwill	1.005	-	1.005	-

Prior Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Gross Book Value
Software	5.571	(4.403)	3.534	(2.483)
Goodwill	1.005	-	1.005	-

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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.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	3.534	1.698	-	5.232
Goodwill	1.005	-	-	1.005
Total Cost	4.539	1.698	-	6.237
Accumulated Amortization				
Software	(2.483)	(656)	-	(3.139)
Goodwill	-	-	-	-
Total Accumulated Amortization	(2.483)	(656)	-	(3.139)
Impairment Provision				
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	2.056	1.042	-	3.098

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	5.571	407	(2.444)	3.534
Goodwill	1.005	-	-	1.005
Total Cost	6.576	407	(2.444)	4.539
Accumulated Amortization				
Software	(4.403)	(524)	2.444	(2.483)
Goodwill	-	-	-	-
Total Accumulated Amortization	(4.403)	(524)	2.444	(2.483)
Impairment Provision				
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	2.173	(117)	-	2.056

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 2015: 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 2015: 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 2015: 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)

13. Information on intangible assets (continued)

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 2015: 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 2015: 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 2015: 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 2015: 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	-	-
Net Value at the End of Period	1.005	1.005

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 2015: None).

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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 231.323 (31 December 2015: TL 241.293) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 31 December 2016 and 31 December 2015 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	19.905	-	-	3.115	23.020
Pendorya Mall	156.975	191	(14)	(13.462)	143.690
Adana Hotel Project	64.413	1.007	-	(807)	64.613
Total	241.293	1.198	(14)	(11.154)	231.323

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior 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
Total	224.090	16.008	(2)	1.197	241.293

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	17.378	16.103
Other provisions	18.003	12.008
Marketable securities	2.149	-
Employee benefit provision	2.151	2.053
Valuation of derivative instruments	-	5.943
Other	3.848	5.028
Total Deferred Tax Asset	43.529	41.135
Deferred tax liabilities:		
Marketable securities	-	(2.694)
Borrowings commissions accrual adjustment	(8.791)	(7.265)
Valuation of derivative instruments	(2.958)	-
Useful life difference of fixed assets	(457)	(402)
Others	(13.141)	(2.975)
Total Deferred Tax Liability	(25.347)	(13.336)
Net Deferred Tax Asset	18.182	27.799

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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.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. YF has deferred tax asset amounting to TL 3.035 calculated from tax losses amounting to TL 15.175 (31 December 2015: TL 21.580 tax loss / TL 4.316 deferred tax asset). Deferred tax was not calculated over the YF's tax losses amounting to TL 10.940.

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 2015: None).

16. Explanations on assets held for sale:

In the current period, the Group has no assets held for sale (31 December 2015: 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 2015: 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.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

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	13.094	4.779	753	1.348
Swap Transactions	101.915	75.382	43.699	55.518
Futures Transactions	-	-	-	-
Options	-	125.627	-	73.632
Other	-	-	-	-
Total	115.009	205.788	44.452	130.498

The Parent Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TL denominated fixed rate assets. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. As of 31 December 2016, the fair value of such swaps is TL 61.730 with a total outstanding notional amount of USD 150 million. The average maturity of such swaps range between 2020 and 2021 years.

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	47.169	313.101	186.611	306.291
From Foreign Banks, Institutions and Funds	100.083	15.667.143	69.001	12.879.928
Total	147.252	15.980.244	255.612	13.186.219

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	47.180	73.741	59.544	56.360
Medium and long-term	100.072	15.906.503	196.068	13.129.859
Total	147.252	15.980.244	255.612	13.186.219

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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.c Additional information about the concentrated areas of liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	3.490.000	-	2.026.500
Cost	-	3.476.185	-	2.021.606
Book Value	-	3.486.732	-	2.037.571

As of 27 October 2014, the Parent Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 30 October 2019 with fixed interest rate of 5,375%, 5 years maturity and semiannual coupon payment. As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5,125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%.

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	234.353	60.998	2.123.484	45.994
Financial institutions and organizations	208.657	-	2.103.104	1.440
Other institutions and organizations	25.209	58.387	19.821	38.884
Real persons	487	2.611	559	5.670
From Foreign Transactions	3	-	3	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	2	-	2	-
Real persons	1	-	1	-
Total	234.356	60.998	2.123.487	45.994

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 2015: None).

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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.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2015: None).

5.b Explanations regarding operational leases:

As of the reporting date, 1 head office building and 11 branches of the Group companies are subject to operational leasing. Additionally, 25 cars and 160 computers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2015: 1 head office, 13 branches and 28 cars and 100 computers 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 2015: 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)

6. Information on derivative financial liabilities held for risk management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(51.433)	-	(5.799)
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	(51.433)	-	(5.799)

7. Information on provisions

7.a Information on general loan loss provisions:

	Current Period	Prior Period
General Provisions	177.167	144.043
I.Provisions for First Group Loans and Receivables	154.541	124.148
II.Provisions for Second Group Loans and Receivables	3.902	4.522
Provisions for Non-Cash Loans	2.714	2.721
Other	16.010	12.652

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 247 (31 December 2015: TL 1.776). 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 2015: TL 583).

7.d Information related to other provisions:

7.d.1 Provisions for possible losses:

There is no provision for possible losses (31 December 2015: 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 2016, employee termination benefits is amounting TL 9.101 reflected in financial statements (31 December 2015: TL 9.068). As of 31 December 2016, the Group has provided a reserve for unused vacation amounting to TL 1.803 (31 December 2015: TL 1.700). This balance is classified under reserve for employee benefits in the financial statements.

The actuarial gains amounting to TL 903 after 1 January 2016 have been accounted under equity in accordance with the revised TAS 19 standard (31 December 2015: TL 384 actuarial loss).

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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:

Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2016, the Group has no obligations on pension rights (31 December 2015: None).

Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2015: 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 2016 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 13 January 2017, there is no need for technical or actual deficit to book provision as of 31 December 2016.

Accordingly, as of 31 December 2016 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 3.16, 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 (*)	90.962	63.049
Total	90.962	63.049

(*) Other provisions balance includes amount to TL 90.000 for the risks related to loan portfolio, amount to TL 583 for undemnified non cash loans (31 December 2015: TL 60.000 other provision, and TL 583 provision for non-cash loans which are not indemnified.).

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	5.066	-	41.871	-
Deferred Tax Liability	-	-	-	-
Total	5.066	-	41.871	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	5.066	41.871
Taxation of Securities	753	1.070
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	3.564	3.261
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	246	251
Other	1.742	1.607
Total	11.371	48.060

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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

8.a Information on current taxes payable

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	121	119
Social Security Premiums-Employer	135	135
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	37	32
Unemployment Insurance-Employer	74	63
Other	41	17
Total	408	366

8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2015: None).

9. Information on liabilities regarding assets held for sale

None (31 December 2015: 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)

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. The first agreement date of the loan was 21 September 2004. The first usage date was 5 November 2004. Principal of the loan paid on 17 October 2016 as a whole. As at reporting date, there is no subordinated loan.

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
Total	-	-	-	145.836

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	2.050.000	1.750.000
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	2.050.000	2.500.000

At the board of directors meeting dated 26 October 2016 and no 2283, The Parent Bank's registered capital ceiling has been decided to determine as TL 4.500.000 in the directions of the Capital Markets Board Decisions and regulations and the Bank's targets and forecasts, the Bank's registered capital ceiling permit amounting to TL 2.500.000 is going to end as of 31 December 2016.

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 24 March 2016, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. Aforementioned increase was approved by the BRSA dated 6 May 2016 and was announced in the Turkish Trade Registry Gazette dated 4 July 2016 and No. 9110.

In the meeting of the General Assembly held on 24 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.

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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.d Information on share capital increases from capital reserves:

None (31 December 2015: the extraordinary reserve amounting to TL 16.000 provided from gain on sale of subsidiary and real estate added to paid-in-capital)

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 2015: 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 Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2015: 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	(21.522)	-	(13.651)	-
Valuation Differences	(25.843)	(26.774)	(27.819)	11.288
Foreign Exchange Difference	4.243	-	2.427	-
Total	(43.122)	(26.774)	(39.043)	11.288

11.i Information on legal reserves:

	Current Period	Prior Period
First legal reserve	132.885	112.543
Second legal reserve	83.422	82.475
Other Legal Reserves Appropriated In Accordance with Special Legislation	54	54
Total	216.361	195.072

11.j Information on extraordinary reserves:

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	113.175	89.478
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
Total	113.175	89.478

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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.k Explanations related to equity:

Movement of equity reserves during the period:

Current Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates (*)	Others Equity Reserves	Total
As of 1 January	(14.104)	(13.651)	174.619	30	146.894
Value increase/decrease of available for sale investments recognized directly under equity	(47.402)	(7.871)		-	(55.273)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	3.402	-	-	-	3.402
Tax effect of gains on available for sale investments	6.537	-	-	-	6.537
Other	3.193	-	26.549	594	30.336
As of 31 December	(48.374)	(21.522)	201.168	624	131.896

(*) The valuation of the real estates are made in accordance with the revaluation method in according to the scope of TAS 16. In 2016 the revaluation difference amounting to TL 26.529 which are determined by the certified valuation companies, authorized by CMB and BRSA, are recorded under the shareholders' 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
As at 1 January	121.681	(7.688)	9.320	374	123.687
Value increase/decrease of available for sale investments recognized directly under equity	(180.190)	(5.963)		-	(186.153)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	9.844	-	-	-	9.844
Tax effect of gains on available for sale investments	34.561	-	-	-	34.561
Other (*)	-	-	165.299	(344)	164.955
As at 31 December	(14.104)	(13.651)	174.619	30	146.894

(*) 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.

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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	44.416
Other Capital Reserves	19	33
Share Premium	165	165
Securities Value Increase Fund	1	(3)
Legal Reserves	118	118
Extraordinary Reserves	1.682	1.682
Other Profit Reserves	-	(7)
Retained Earnings / Accumulated Losses	19.086	15.727
Net Profit or Loss	(7.518)	3.359
Total	57.969	65.490

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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

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	78.479	110.589
Commitments for Money Market Brokerage Purchase and Sales	45.194	96.317
Commitments for Use Guaranteed Credit Allocation	-	-
Commitments for Stock Brokerage Purchase and Sales	373.763	498.091
Commitments for Letter of Credit	467.812	319.695
Capital commitments for subsidiaries and associates (*)	68.367	-
Commitments from Forward Short Term Borrowing and Transfers	-	103.409
Other	289.821	185.460
Total	1.323.436	1.313.561

(*) As of 25 July 2016, the Bank has paid EUR 1.1 Million share for which is promised to buy shares with the nominal value of EUR 20 Million to the fund which is planned to be created by the European Investment Fund – EIF with the targeted size of EUR 335 Million and established with the name of Turkish Growth and Innovation Fund – TGIF. As of 21 November, the Bank has paid 0.3 million EUR to fund for other part of shares.

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 693.817 (31 December 2015: TL 585.917).

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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)

1. Information on off-balance sheet liabilities (continued)

1.b Possible losses and commitments related to off-balance sheet items including items listed below (continued):

1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee is TL 975.391 (31 December 2015: TL 1.196.747).

1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	741.804	731.304
With Maturity of One Year or Less than One Year	278.690	49.945
With Maturity of More than One Year	463.114	681.359
Other Non-Cash Loans	927.404	1.051.360
Total	1.669.208	1.782.664

1.c.2 Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	-	-	4.073	1	-	-	-	-
Farming and stockbreeding	-	-	4.073	1	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	203.711	97	1.320.782	90	262.416	67	1.282.324	92
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	6.740	3	647.831	44	5.719	1	469.543	34
Electricity, Gas, Water	196.971	94	672.951	46	256.697	66	812.781	58
Construction	2.900	1	-	-	9.800	3	-	-
Services	3.837	2	133.905	9	118.583	30	109.541	8
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	321	-	133.905	9	117.733	30	108.787	8
Real Estate and Leasing Services	3.516	2	-	-	850	-	754	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	210.448	100	1.458.760	100	390.799	100	1.391.865	100

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

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	206.781	1.458.760	387.561	1.391.865	3.667	-	3.238	-
Letters of Guarantee	206.781	764.943	387.561	805.948	3.667	-	3.238	-
Bank Acceptances	-	17.450	-	19.027	-	-	-	-
Letters of Credit	-	676.367	-	566.890	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

2. Information related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	15.536.775	8.278.325
Forward transactions	1.131.115	407.088
Swap transactions	7.473.724	5.394.839
Futures transactions	-	-
Option transactions	6.931.936	2.476.398
Interest related derivative transactions (II)	10.773.710	7.188.880
Interest rate swap transactions	10.773.710	7.188.880
Interest option transactions	-	-
Futures interest transactions	-	-
Other trading derivative transactions (III)	117.544	89.360
A. Total trading derivative transactions (I+II+III)	26.428.029	15.556.565
Types of hedging transactions		
Fair value hedges	7.747.800	4.689.900
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	7.747.800	4.689.900
Total Derivative Transactions (A+B)	34.175.829	20.246.465

As of 31 December 2016, 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
Current Period											
TL	126.329	123.456	1.119.290	1.700.415	1.619.601	1.619.601	-	-	-	-	-
US Dollar	307.817	255.250	4.992.769	4.355.508	1.006.565	1.006.567	-	-	-	-	7.747.800
Euro	133.652	184.611	2.829.390	2.846.192	839.802	839.800	-	-	-	-	-
Other	-	-	268.322	253.092	-	-	-	-	-	-	-
Total	567.798	563.317	9.209.771	9.155.207	3.465.968	3.465.968	-	-	-	-	7.747.800

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

2. Information related to derivative financial instruments (continued)

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell	Fair Value Hedge
Prior Period											
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	-	-	-	-	-	-	-
Total	204.454	202.634	6.312.511	6.360.418	1.238.199	1.238.349	-	-	-	-	4.689.900

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 related to the consolidated 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	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Swap Transactions	151.764	(141.417)	7.473.724	54.095	(76.957)	5.394.839
Interest Rate Swap Transactions	58.255	(35.880)	10.773.710	38.728	(22.260)	7.188.880
Forward Transactions	22.109	(17.873)	1.131.115	3.375	(2.101)	407.088
Futures Transactions	-	-	-	-	-	-
Option Transactions	125.627	(125.627)	6.931.936	73.596	(73.632)	2.476.548
Other	16.281	-	117.544	-	-	89.210
Total	374.036	(320.797)	26.428.029	169.794	(174.950)	15.556.565

Fair value hedges

For the year ended 31 December 2016, the Parent Bank has interest rate swaps for hedging purposes nominal amount of TL 7.747.800 (31 December 2015: TL 4.689.900)

Hedging from the cash-flow risk

As of 31 December 2016 there is no cash-flow hedging transactions (31 December 2015: 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 51 legal cases against the Group which are amounting to TL 7.215 as of the reporting date (31 December 2015: TL 5.919 - 45 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 been 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

4. Explanations on contingent liabilities and assets (continued):

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable 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 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 prior period.

There is a lawsuit for Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 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.

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. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision.

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.

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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

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	80.498	6.504	36.400	3.229
Medium and Long Term Loans	165.941	599.067	130.139	498.839
Interest on Non-performing Loans	4.015	84	421	123
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	250.454	605.655	166.960	502.191

(*) 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 (*)	3.371	-	1.235	-
Domestic Banks	26.321	5.647	4.271	8.909
Foreign Banks	155	563	225	209
Branches and Head Office Abroad	-	-	-	-
Total	29.847	6.210	5.731	9.118

(*) 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	2.778	30	2.922	35
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	218.692	45.095	239.322	47.602
Investments Held to Maturity	78.270	8.793	25.854	3.001
Total	299.740	53.918	268.098	50.638

1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	8.511	7.592

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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)

2. Information on interest expense

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	26.733	35.470	25.766	20.971
The Central Bank of Turkey	-	-	-	-
Domestic Banks	15.573	11.622	21.379	3.718
Foreign Banks	11.160	23.848	4.387	17.253
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	2.487	198.701	-	147.905
Total (*)	29.220	234.171	25.766	168.876

(*) 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 2015: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (*)	-	149.831	-	92.869

(*) 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
Financial Assets at Fair Value Through Profit and Loss	-	-
Available-for-Sale Securities	2.007	9.595
Other	9.479	195
Total	11.486	10.175

4. Information on net trading income (net)

	Current period	Prior period
Profit	1.561.049	1.639.309
Gains on capital market operations	7.125	12.022
Gains on derivative financial instruments (*)	902.244	747.867
Foreign exchange gains	651.680	879.420
Losses (-)	(1.628.820)	(1.633.529)
Losses on capital market operations	(3.293)	(8.455)
Losses on derivative financial instruments (*)	(901.380)	(869.880)
Foreign exchange losses	(724.147)	(755.194)

(*) Foreign exchange gain from derivative transactions amounting to TL 418.146 is presented in "Gains on derivative financial instruments" (31 December 2015: TL 353.529), foreign exchange loss from derivative transactions amounting to TL (445.777) is presented in "Losses on derivative financial instruments" (31 December 2015: TL (538,240)).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES
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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	12.952	24.508
Gains on Sale of Assets	235	84
From Associate and Subsidiary Sales	114	-
From Immovable Fixed Asset Sales	-	76
From Property Sales	59	1
From Other Asset Sales	62	7
Other (*)	13.456	26.545
Total	26.643	51.137

(*) 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 prior period.

6. Provision expenses related to loans and other receivables of the Group

	Current Period	Prior Period
Specific provisions for loans and other receivables	3.566	44.681
III. Group Loans and Receivables	18	20
IV. Group Loans and Receivables	-	-
V. Group Loans and Receivables	3.548	44.661
General provision expenses	33.124	26.283
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	3.809	7.599
Trading securities	-	-
Investment securities available for sale	3.809	7.599
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other (*)	30.000	-
Total	70.499	78.563

(*) Other provision contains amounting to TL 30.000 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	93.795	84.133
Reserve for Employee Termination Benefits	1.717	1.191
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	4.941	3.982
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	637	543
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	21	21
Depreciation Expenses of Assets Held for Resale	-	13
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	48.332	31.706
Rent Expenses	3.300	3.085
Maintenance Expenses	1.847	2.323
Advertisement Expenses	1.364	1.400
Other Expenses	41.821	24.898
Loss on Sales of Assets	-	52
Other	19.420	18.932
Total	168.863	140.573

8. Information on profit/loss before tax from continued and discontinued operations before tax

As of 31 December 2016, profit before tax of the Group has decreased by 8,27% as compared to the prior period (31 December 2015: 9,64% increase). In comparison with the prior period, the Group's net interest income has increased by 26,78% (31 December 2015: 13,23% 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 98.641 (31 December 2015: TL 76.641). Deferred tax charge is TL 19.067 (31 December 2015: TL 24.094 deferred tax charge).

9.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax charge calculated on temporary differences is TL 19.067 (31 December 2015: TL 24.094 deferred tax charge).

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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)

9. Information on tax provision for continued and discontinued operations (continued)

9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:

As of 31 December 2016, the deferred tax charge calculated based on temporary timing differences is TL 17.786 (31 December 2015: TL 23.953 tax charge). Deferred tax expense reflected in the income statement on carry forward tax losses, tax deductions and exceptions amounts to TL 1.281 (31 December 2015: TL 141 expense).

In addition, TL 9.450 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 2015: TL 32.960 income).

10. Information on net profit/loss

10.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 1.409.679 of interest income, TL 650.876 of interest expenses, TL 25.017 of net fee and commission income from banking operations (31 December 2015: TL 1.098.725 interest income, TL 500.183 interest expenses, TL 29.547 net fee and commission income).

10.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.

10.c Minority share of profit and loss:

The current year loss attributable to minority shares is TL 7.518 (31 December 2015: TL 3.359 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 57.969 (31 December 2015: TL 65.490).

11. 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	21.715	17.701
Commissions from Initial Public Offering	16	162
Investment Fund Management Income	1.597	1.584
Other	2.409	3.462
Total	25.737	22.909

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

1. Information related to capital

As of 31 December 2016, shareholders are as follows:

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group (*)	1.038.383	50,65	1.038.383	-
T. Vakıflar Bankası T.A.O.	171.738	8,38	171.738	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	839.879	40,97	839.879	-
Total	2.050.000	100,00	2.050.000	-

Prior 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	-
Total	1.750.000	100,00	1.750.000	-

In the meeting of the General Assembly held on 24 March 2016, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.750.000 to TL 2.050.000 by TL 300.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2015. Aforementioned increase was approved by the BRSA dated 6 May 2016 and was announced in the Turkish Trade Registry Gazette dated 4 July 2016 and No. 9110.

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.

2. Information on the increase arising from the revaluation of securities available-for-sale

Remeasurement of available-for-sale investments with their fair values after netting of the deferred tax effect as of 31 December 2016 is TL 22.462 decrease (31 December 2015:148.554 decrease) and TL 3.402 (31 December 2015: TL 9.844) is transferred from the securities value increase fund to the income statement, presented in the equity movement table.

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)

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 2016, increasing amount of TL 1.816 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 2015: 2.427)

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 21.289 was transferred to the legal reserves (31 December 2015: TL 19.305).

8. Offsetting of the prior period's losses

There is no offsetting of accumulated losses made during the current and prior year.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to consolidated statement of cash flows

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents

In the current period, other income amounting to TL 82.952 consists of gain from sale of assets and non-interest income (31 December 2015: TL 181.901 other income consists of other income rental income, securities trade gains, gain from sale of assets and non-interest income.)

Classification has been made in the prior period amounting to TL 13.489 in the columns of "Fixed Asset Purchases" in "Net cash provided by/(used in) investing activities" and "Other" in "Operating profit before changes in operating assets and liabilities " of the cash flow statement.

Other caption in changes in assets and liabilities from banking operations amounting to TL 1.226.706 (31 December 2015: TL 646.446) 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 99.971 (31 December 2015: TL 618.243) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 1.161.414 (31 December 2015: TL 218.631) 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 40.998 (31 December 2015: TL 51.689).

2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:

In the current period, the Group invested TL 4.065 in tangible fixed assets and properties and invested TL 1.698 in intangible fixed assets. In the current period, there is TL 1.000 investment on subsidiaries and affiliates.

In the prior period, the Group invested TL 20.729 in tangible fixed assets and properties and invested TL 407 in intangible fixed assets. There is no 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 306 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 11.533 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to consolidated statement of cash flows

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	21	14
Cash Equivalents	1.868.894	642.958
Total	1.868.915	642.972

Cash and cash equivalents at the end of period:

	At the Beginning of Current Period	At the Beginning of Prior Period
Cash	29	21
Cash Equivalents	861.789	1.868.894
Total	861.818	1.868.915

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 612.776 (31 December 2015: TL 767.239) 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.

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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VII. Explanations on the risk group of the Parent Bank

1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

1.a Current period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	340.358	322	53.167	117.412	91.272	-
Balance at the end of the period	294.292	7.878	21.131	-	90.035	-
Interest and commission income received	8.276	235	1.080	67	4.104	-

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	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.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

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	97.511	-	-	-	-	-
End of the Period	417.925	97.511	-	-	-	-
Total Profit / Loss (*)	8.000	(300)	-	-	-	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Prior period includes the informations belong to 31 December 2015.

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 14.233 (31 December 2015: TL 11.897).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES
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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 (*)	2	337			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

(*) Consolidated subsidiaries have 9 branches and 124 personnels which are not presented in the table.

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 2015: None).

IX. Explanations and notes related to subsequent events

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES
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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)	Negative
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB-
Long-term Maturity National Currency Outlook (issuer)	Negative
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 outlook without changing on 18 October 2016 and determined Bank's "Privileged Unsecured Debt Notes" as BBB- for the Eurobonds maturity with 30 October 2019, 22 April 2020 and for "Green Sustainable Bonds" maturity with 18 May 2021.

MOODY'S

Reference Financial Rating Note	Ba2
Foreign Currency (issuer)	
Long-term Maturity	Ba1
Outlook	Stable
Short-term Maturity	NP
Domestic Currency (issuer)	
Long-term Maturity	Ba1
Outlook	Stable
Short-term Maturity	NP
Unsecured Debt-Foreign Currency (issuer)	
Long-term Maturity	Ba1
Outlook	Stable
Foreign Currency/Domestic Currency MTN Note:	(P) Ba1

Information above represents updated information as of 26 September 2016.

International credit rating agency Moody's, assigned "Unsecured Debt - Foreign Currency" rating note for the Bank issuing Eurobonds and Green Sustainable Bond maturity with 30 October 2019, 22 April 2020 and 18 May 2021 respectively and this note has been appointed as Ba1.

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SECTION SIX (Continued)

OTHER EXPLANATIONS (Continued)

I. Other explanations related to the operations of the Parent Bank (continued)

1.b Informations on corporate governance rating of the Bank:

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,27% (9,53 over 10) as of 20 October 2016. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,49 (Weight: 25%), 9,67 (Weight: 25%), 9,85 (Weight: 15%), 9,32 (Weight: 35%) over 10 respectively.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The consolidated financial statements as of and for the year ended 31 December 2016 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 1 February 2017 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.