

# **Türkiye Sınai Kalkınma Bankası Anonim Şirketi**

**Unconsolidated Financial Statements**  
**As of and For the Nine-Month Period Ended 30 September 2016**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*  
**With Auditors' Review Report Thereon**

27 October 2016

*This report contains "Auditors' Review Report"  
comprising 2 pages and; "Unconsolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 92 pages.*

***Convenience Translation of the Auditor's Review Report***  
***Originally Prepared and Issued in Turkish (See Section 3.1)***

**AUDITORS' REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying unconsolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. as at 30 September 2016 and the unconsolidated income statement, unconsolidated statement of comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the nine-month period then ended and summary of significant accounting policies and other explanatory information ("interim unconsolidated financial information"). The Bank Management is responsible for the preparation and fair presentation of such interim financial information 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 on the Official Gazette numbered 26333 on 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 Standard 34 "Interim Financial Reporting" for the matters not regulated by aforementioned legislations. Our responsibility is to express a conclusion on this interim unconsolidated financial information based on our review.

*Scope of Review*

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Auditing Standards. Consequently, a review of unconsolidated interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated financial information is not presented fairly, in all material respects, the unconsolidated financial position of the Bank as of 30 September 2016 and the result of its operations and cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

### **Report on Other Legal and Regulatory Requirements**

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in section seven, are not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

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

Erdal Tıkmak  
Partner, SMMM  
27 October 2016  
Istanbul, Turkey

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

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

**THE UNCONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITORS’ LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

27 October 2016

|   |   |  |   |
|---|---|--|---|
| <b>Adnan BALİ</b>                         | <b>Suat İNCE</b>  | <b>Ömer ERYILMAZ</b>   | <b>Tolga SERT</b>                                   |
| <b>Chairman of Board<br/>of Directors</b> | <b>Member of Board of<br/>Directors and<br/>General Manager</b> | <b>Executive Vice<br/>President in Charge of<br/>Financial Reporting</b> | <b>Head of<br/>Financial Control<br/>Department</b> |
| <b>Kemal Saç</b>                          |   | <b>Can Yücel</b>   |   |
| <b>Member of Audit Committee</b>          |   | <b>Member of Audit Committee</b>   |   |

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

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

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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

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

| <b>Current Period</b>   | <b>Share</b>     | <b>Shareholding</b> | <b>Paid in</b>   | <b>Unpaid</b>  |
|---|------------------|---------------------|------------------|----------------|
| <b>Name Surname/Commercial Title</b>  | <b>Capital</b>   | <b>Rate (%)</b>     | <b>Capital</b>   | <b>Capital</b> |
| T. İş Bankası A.Ş. Group  | 1.034.380        | 50,46               | 1.034.380        | -              |
| T. Vakıflar Bankası T.A.O.  | 171.738          | 8,38                | 171.738          | -              |
| Under Custody at Merkezi Kayıt Kuruluşu<br>(Other Institutions and Individuals) | 843.882          | 41,16               | 843.882          | -              |
| <b>Total</b>  | <b>2.050.000</b> | <b>100,00</b>       | <b>2.050.000</b> | <b>-</b>       |

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

Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,46% of the shares belongs to İş Bank Group and 39,18% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

| Name Surname            | Title (1)  |
|-------------------------|--|
| Adnan Bali              | Chairman of the Board of Directors                   |
| Ebru Özşuca (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   |
| Burak Akgüç          | Vice President – Corporate Marketing and Project Finance  |
| Ömer Eryılmaz        | Vice President – Financial Control, Budget Planning and Investor Relations and Corporate Compliance |
| Çiğdem İçel          | Vice President – Financial Institutions, Treasury and Development Finance Institutions              |
| Ufuk Bala Yücel      | Vice President – Loans  |
| B. Gökhan Çanakpınar | Vice President – Information Technology and Operation   |
| Ece Börü             | Vice President– Enterprise Architecture and Human Resources   |
| Hakan Aygen          | Vice President – Corporate Finance, Economic Research and Technical Services                        |
| Aziz Ferit Eraslan   | Vice President – Internal Systems   |

(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 Özşuca was appointed as Vice Chairman of the Board of Directors due to Mr. Kemal Serdar Dışli'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 Dışli and Uygur Şafak Ögün 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.

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.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

Explanation about the 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 Bank's functions and areas of activity**

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

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

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. ("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.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

- VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods (continued)**

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

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

**İş Finansal Kiralama A.Ş.:**

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

**İş Faktoring A.Ş.:**

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

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

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

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

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

The Bank Disclosure Policy updated by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to publicly disclosed obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Bank accessible from the Bank's corporate website.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 30 SEPTEMBER 2016**

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

|              |  | Reviewed<br>Current Period<br>30 September 2016 |           |            | Audited<br>Prior Period<br>31 December 2015 |           |            |            |
|--------------|--|---|-----------|------------|---|-----------|------------|------------|
| ASSETS       |  | Note<br>Ref.                                    | TL        | FC         | Total                                       | TL        | FC         | Total      |
| I.           | CASH AND BALANCES WITH THE CENTRAL BANK                | (1)   | 19.112    | 850.303    | 869.415                                     | 40.438    | 770.676    | 811.114    |
| II.          | FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net) | (2)   | 23.814    | 159.187    | 183.001                                     | 37.429    | 159.786    | 197.215    |
| 2.1          | Trading financial assets                               |   | 23.814    | 159.187    | 183.001                                     | 37.429    | 159.786    | 197.215    |
| 2.1.1        | Public sector debt securities                          |   | 5.432     | -          | 5.432                                       | 28.233    | -          | 28.233     |
| 2.1.2        | Share certificates                                     |   | 1.938     | -          | 1.938                                       | -         | -          | -          |
| 2.1.3        | Derivative financial assets held for trading           |   | 16.444    | 159.187    | 175.631                                     | 9.196     | 159.786    | 168.982    |
| 2.1.4        | Other marketable securities                            |   | -         | -          | -   | -         | -          | -          |
| 2.2          | Financial assets at fair value through profit and loss |   | -         | -          | -   | -         | -          | -          |
| 2.2.1        | Public sector debt securities                          |   | -         | -          | -   | -         | -          | -          |
| 2.2.2        | Share certificates                                     |   | -         | -          | -   | -         | -          | -          |
| 2.2.3        | Other marketable securities                            |   | -         | -          | -   | -         | -          | -          |
| 2.2.4        | Loans  |   | -         | -          | -   | -         | -          | -          |
| III.         | BANKS  | (3)   | 127.625   | 306.617    | 434.242                                     | 324       | 534.505    | 534.829    |
| IV.          | MONEY MARKET PLACEMENTS                                |   | 1.224.085 | -          | 1.224.085                                   | 1.080.274 | -          | 1.080.274  |
| 4.1          | Interbank money market placements                      |   | -         | -          | -   | -         | -          | -          |
| 4.2          | Istanbul Stock Exchange money market placements        |   | 1.224.085 | -          | 1.224.085                                   | 1.080.274 | -          | 1.080.274  |
| 4.3          | Receivables from reverse repurchase agreements         |   | -         | -          | -   | -         | -          | -          |
| V.           | FINANCIAL ASSETS AVAILABLE FOR SALE (Net)              | (4)   | 2.373.912 | 877.574    | 3.251.486                                   | 2.123.150 | 847.819    | 2.970.969  |
| 5.1          | Share certificates                                     |   | 28.039    | 15.093     | 43.132                                      | 26.901    | 10.120     | 37.021     |
| 5.2          | Public sector debt securities                          |   | 2.092.633 | 855.813    | 2.948.446                                   | 1.793.224 | 831.327    | 2.624.551  |
| 5.3          | Other marketable securities                            |   | 253.240   | 6.668      | 259.908                                     | 303.025   | 6.372      | 309.397    |
| VI.          | LOANS AND RECEIVABLES                                  | (5)   | 3.049.183 | 12.302.797 | 15.351.980                                  | 2.414.222 | 11.261.257 | 13.675.479 |
| 6.1          | Loans and receivables                                  |   | 3.049.183 | 12.302.797 | 15.351.980                                  | 2.414.222 | 11.261.257 | 13.675.479 |
| 6.1.1        | Loans to the risk group of the Bank                    |   | 189.997   | 209.256    | 399.253                                     | 388.155   | 207.989    | 596.144    |
| 6.1.2        | Public sector debt securities                          |   | -         | -          | -   | -         | -          | -          |
| 6.1.3        | Other  |   | 2.859.186 | 12.093.541 | 14.952.727                                  | 2.026.067 | 11.053.268 | 13.079.335 |
| 6.2          | Non-performing loans                                   |   | 46.977    | 1.362      | 48.339                                      | 57.754    | 1.651      | 59.405     |
| 6.3          | Specific provisions (-)                                |   | (46.977)  | (1.362)    | (48.339)                                    | (57.754)  | (1.651)    | (59.405)   |
| VII.         | FACTORING RECEIVABLES                                  |   | -         | -          | -   | -         | -          | -          |
| VIII.        | HELD TO MATURITY INVESTMENTS (Net)                     | (6)   | 750.812   | 157.279    | 908.091                                     | 715.194   | 157.408    | 872.602    |
| 8.1          | Public sector debt securities                          |   | 750.812   | 157.279    | 908.091                                     | 715.194   | 157.408    | 872.602    |
| 8.2          | Other marketable securities                            |   | -         | -          | -   | -         | -          | -          |
| IX.          | INVESTMENTS IN ASSOCIATES (Net)                        | (7)   | 206.334   | -          | 206.334                                     | 156.008   | -          | 156.008    |
| 9.1          | Accounted for under equity method                      |   | -         | -          | -   | -         | -          | -          |
| 9.2          | Unconsolidated associates                              |   | 206.334   | -          | 206.334                                     | 156.008   | -          | 156.008    |
| 9.2.1        | Financial investments                                  |   | 204.779   | -          | 204.779                                     | 154.453   | -          | 154.453    |
| 9.2.2        | Non-financial investments                              |   | 1.555     | -          | 1.555                                       | 1.555     | -          | 1.555      |
| X.           | INVESTMENTS IN SUBSIDIARIES (Net)                      | (8)   | 128.213   | -          | 128.213                                     | 122.699   | -          | 122.699    |
| 10.1         | Unconsolidated financial subsidiaries                  |   | 126.834   | -          | 126.834                                     | 122.320   | -          | 122.320    |
| 10.2         | Unconsolidated non-financial subsidiaries              |   | 1.379     | -          | 1.379                                       | 379       | -          | 379        |
| XI.          | ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)      | (9)   | -         | -          | -   | -         | -          | -          |
| 11.1         | Consolidated under equity method                       |   | -         | -          | -   | -         | -          | -          |
| 11.2         | Unconsolidated   |   | -         | -          | -   | -         | -          | -          |
| 11.2.1       | Financial subsidiaries                                 |   | -         | -          | -   | -         | -          | -          |
| 11.2.2       | Non-financial subsidiaries                             |   | -         | -          | -   | -         | -          | -          |
| XII.         | LEASE RECEIVABLES (Net)                                | (10)  | -         | 1.417      | 1.417                                       | -         | -          | -          |
| 12.1         | Finance lease receivables                              |   | -         | 1.549      | 1.549                                       | -         | 98         | 98         |
| 12.2         | Operating lease receivables                            |   | -         | -          | -   | -         | -          | -          |
| 12.3         | Other  |   | -         | -          | -   | -         | -          | -          |
| 12.4         | Unearned income ( - )                                  |   | -         | (132)      | (132)                                       | -         | (98)       | (98)       |
| XIII.        | DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES       | (11)  | -         | 42.021     | 42.021                                      | -         | 4.093      | 4.093      |
| 13.1         | Fair value hedge                                       |   | -         | 42.021     | 42.021                                      | -         | 4.093      | 4.093      |
| 13.2         | Cash flow hedge  |   | -         | -          | -   | -         | -          | -          |
| 13.3         | Hedge of net investment in foreign operations          |   | -         | -          | -   | -         | -          | -          |
| XIV.         | TANGIBLE ASSETS (Net)                                  | (12)  | 47.715    | -          | 47.715                                      | 48.515    | -          | 48.515     |
| XV.          | INTANGIBLE ASSETS (Net)                                | (13)  | 888       | -          | 888   | 686       | -          | 686        |
| 15.1         | Goodwill   |   | -         | -          | -   | -         | -          | -          |
| 15.2         | Other  |   | 888       | -          | 888   | 686       | -          | 686        |
| XVI.         | INVESTMENT PROPERTY (Net)                              | (14)  | -         | -          | -   | -         | -          | -          |
| XVII.        | TAX ASSET  | (15)  | 21.519    | -          | 21.519                                      | 22.911    | -          | 22.911     |
| 17.1         | Current tax asset                                      |   | -         | -          | -   | -         | -          | -          |
| 17.2         | Deferred tax asset                                     |   | 21.519    | -          | 21.519                                      | 22.911    | -          | 22.911     |
| 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)  | 59.885    | 139.986    | 199.871                                     | 56.133    | 181.058    | 237.191    |
| TOTAL ASSETS |  |   | 8.033.097 | 14.837.181 | 22.870.278                                  | 6.817.983 | 13.916.602 | 20.734.585 |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 30 SEPTEMBER 2016**

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

|                              |  | Reviewed<br>Current Period<br>30 September 2016 |           |            | Audited<br>Prior Period<br>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)   | 51.665    | 134.830    | 186.495                                     | 42.933    | 130.498    | 173.431    |
| III.                         | FUNDS BORROWED   | (3)   | 303.245   | 13.750.641 | 14.053.886                                  | 196.001   | 13.102.950 | 13.298.951 |
| IV.                          | MONEY MARKET BALANCES  |   | 2.086.415 | 57.589     | 2.144.004                                   | 2.123.487 | 45.994     | 2.169.481  |
| 4.1                          | Interbank money market takings   |   | 162.000   | -          | 162.000                                     | -         | -          | -          |
| 4.2                          | Istanbul Stock Exchange money market takings                               |   | -         | -          | -   | -         | -          | -          |
| 4.3                          | Funds provided under repurchase agreements                                 |   | 1.924.415 | 57.589     | 1.982.004                                   | 2.123.487 | 45.994     | 2.169.481  |
| V.                           | MARKETABLE SECURITIES ISSUED (Net)   | (3)   | -         | 3.058.562  | 3.058.562                                   | -         | 2.037.571  | 2.037.571  |
| 5.1                          | Bills  |   | -         | -          | -   | -         | -          | -          |
| 5.2                          | Asset backed securities  |   | -         | -          | -   | -         | -          | -          |
| 5.3                          | Bonds  |   | -         | 3.058.562  | 3.058.562                                   | -         | 2.037.571  | 2.037.571  |
| VI.                          | BORROWER FUNDS   |   | 1.420     | 3.776      | 5.196                                       | 1.690     | 28.987     | 30.677     |
| 6.1                          | Borrower funds   |   | 1.420     | 3.776      | 5.196                                       | 1.690     | 28.987     | 30.677     |
| 6.2                          | Others   |   | -         | -          | -   | -         | -          | -          |
| VII.                         | SUNDRY CREDITORS   |   | 92.213    | 36.182     | 128.395                                     | 93.141    | 24.104     | 117.245    |
| 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 ( - )                                      |   | -         | -          | -   | -         | -          | -          |
|                              | DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING                               |   |           |            |   |           |            |            |
| XI.                          | PURPOSES   | (6)   | -         | -          | -   | -         | 5.799      | 5.799      |
| 11.1                         | Fair value hedge   |   | -         | -          | -   | -         | 5.799      | 5.799      |
| 11.2                         | Cash flow hedge  |   | -         | -          | -   | -         | -          | -          |
| 11.3                         | Hedge of net investment in foreign operations                              |   | -         | -          | -   | -         | -          | -          |
| XII.                         | PROVISIONS   | (7)   | 246.247   | -          | 246.247                                     | 220.045   | -          | 220.045    |
| 12.1                         | General loan loss provisions   |   | 159.758   | -          | 159.758                                     | 150.329   | -          | 150.329    |
| 12.2                         | Restructuring provisions   |   | -         | -          | -   | -         | -          | -          |
| 12.3                         | Reserve for employee benefits  |   | 10.906    | -          | 10.906                                      | 9.133     | -          | 9.133      |
| 12.4                         | Insurance technical reserves (Net)   |   | -         | -          | -   | -         | -          | -          |
| 12.5                         | Other provisions   |   | 75.583    | -          | 75.583                                      | 60.583    | -          | 60.583     |
| XIII.                        | TAX LIABILITY  | (8)   | 26.155    | -          | 26.155                                      | 46.822    | -          | 46.822     |
| 13.1                         | Current tax liability  |   | 26.155    | -          | 26.155                                      | 46.822    | -          | 46.822     |
| 13.2                         | Deferred tax liability   |   | -         | -          | -   | -         | -          | -          |
|                              | PAYABLES RELATED TO ASSETS HELD FOR SALE AND                               |   |           |            |   |           |            |            |
| XIV.                         | DISCONTINUED OPERATIONS (NET)  | (9)   | -         | -          | -   | -         | -          | -          |
| 14.1                         | Held for sale  |   | -         | -          | -   | -         | -          | -          |
| 14.2                         | Discontinued operations  |   | -         | -          | -   | -         | -          | -          |
| XV.                          | SUBORDINATED LOANS   | (10)  | -         | 151.709    | 151.709                                     | -         | 145.836    | 145.836    |
| XVI.                         | SHAREHOLDERS' EQUITY   |   | 2.848.177 | 21.452     | 2.869.629                                   | 2.477.439 | 11.288     | 2.488.727  |
| 16.1                         | Paid-in capital  | (11)  | 2.050.000 | -          | 2.050.000                                   | 1.750.000 | -          | 1.750.000  |
| 16.2                         | Capital reserves   |   | 32.435    | 21.452     | 53.887                                      | (33.228)  | 11.288     | (21.940)   |
| 16.2.1                       | Share premium  |   | -         | -          | -   | -         | -          | -          |
| 16.2.2                       | Share cancellation profits   |   | -         | -          | -   | -         | -          | -          |
| 16.2.3                       | Marketable securities value increase fund                                  |   | -         | -          | -   | -         | -          | -          |
| 16.2.4                       | Tangible assets revaluation differences                                    | (11)  | 1.010     | 21.452     | 22.462                                      | (64.633)  | 11.288     | (53.345)   |
| 16.2.5                       | Intangible assets revaluation differences                                  |   | 31.368    | -          | 31.368                                      | 31.348    | -          | 31.348     |
| 16.2.6                       | Investment property revaluation differences                                |   | -         | -          | -   | -         | -          | -          |
|                              | Bonus shares obtained from associates, subsidiaries and jointly controlled |   | -         | -          | -   | -         | -          | -          |
| 16.2.7                       | entities (Joint Vent.)   |   | -         | -          | -   | -         | -          | -          |
| 16.2.8                       | Hedging funds (Effective portion)  |   | -         | -          | -   | -         | -          | -          |
|                              | Accumulated valuation differences from assets held for sale and from       |   | -         | -          | -   | -         | -          | -          |
| 16.2.9                       | discontinued operations  |   | -         | -          | -   | -         | -          | -          |
| 16.2.10                      | Other capital reserves   |   | 57        | -          | 57  | 57        | -          | 57         |
| 16.3                         | Profit reserves  |   | 398.884   | -          | 398.884                                     | 353.822   | -          | 353.822    |
| 16.3.1                       | Legal reserves   |   | 213.923   | -          | 213.923                                     | 192.634   | -          | 192.634    |
| 16.3.2                       | Statutory reserves   |   | 75.641    | -          | 75.641                                      | 75.641    | -          | 75.641     |
| 16.3.3                       | Extraordinary reserves   |   | 106.400   | -          | 106.400                                     | 82.703    | -          | 82.703     |
| 16.3.4                       | Other profit reserves  |   | 2.920     | -          | 2.920                                       | 2.844     | -          | 2.844      |
| 16.4                         | Profit or loss   |   | 366.858   | -          | 366.858                                     | 406.845   | -          | 406.845    |
| 16.4.1                       | Prior years' income/losses   |   | -         | -          | -   | -         | -          | -          |
| 16.4.2                       | Current year income/loss   |   | 366.858   | -          | 366.858                                     | 406.845   | -          | 406.845    |
| TOTAL LIABILITIES AND EQUITY |  |   | 5.655.537 | 17.214.741 | 22.870.278                                  | 5.201.558 | 15.533.027 | 20.734.585 |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AT 30 SEPTEMBER 2016**

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

|  |             | Reviewed<br>Current Period<br>30 September 2016 |                    |                    | Audited<br>Prior Period<br>31 December 2015 |                    |                    |
|--|-------------|---|--------------------|--------------------|---|--------------------|--------------------|
|  | Note<br>Ref | TL  | FC                 | Total              | TL  | FC                 | Total              |
| <b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>               |             | <b>5.110.447</b>                                | <b>26.859.488</b>  | <b>31.969.935</b>  | <b>3.573.336</b>                            | <b>22.330.276</b>  | <b>25.903.612</b>  |
| <b>I. GUARANTEES AND COLLATERALS</b>   | (1)         | <b>244.758</b>                                  | <b>1.362.191</b>   | <b>1.606.949</b>   | <b>390.801</b>                              | <b>1.391.865</b>   | <b>1.782.666</b>   |
| 1.1 Letters of guarantee   |             | 244.758   | 753.534            | 998.292            | 390.801                                     | 805.948            | 1.196.749          |
| 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   |             | 244.758   | 753.534            | 998.292            | 390.801                                     | 805.948            | 1.196.749          |
| 1.2 Bank acceptances   |             | -   | 14.900             | 14.900             | -   | 19.027             | 19.027             |
| 1.2.1 Import letters of acceptance   |             | -   | 14.900             | 14.900             | -   | 19.027             | 19.027             |
| 1.2.2 Other bank acceptances   |             | -   | -                  | -                  | -   | -                  | -                  |
| 1.3 Letters of credit  |             | -   | 593.757            | 593.757            | -   | 566.890            | 566.890            |
| 1.3.1 Documentary letters of credit  |             | -   | 593.757            | 593.757            | -   | 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  |             | -   | -                  | -                  | -   | -                  | -                  |
| <b>II. COMMITMENTS</b>   | (1)         | <b>645.911</b>                                  | <b>3.798.843</b>   | <b>4.444.754</b>   | <b>526.242</b>                              | <b>3.583.563</b>   | <b>4.109.805</b>   |
| 2.1 Irrevocable commitments  |             | 269.744   | 451.693            | 721.437            | 93.660                                      | 303.401            | 397.061            |
| 2.1.1 Forward asset purchase and sales commitments                                 |             | 52.389  | 239.273            | 291.662            | 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                      |             | -   | 63.171             | 63.171             | -   | -                  | -                  |
| 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   |             | 217.355   | 149.249            | 366.604            | 38.113                                      | 248.359            | 286.472            |
| 2.2 Revocable commitments  |             | 376.167   | 3.347.150          | 3.723.317          | 432.582                                     | 3.280.162          | 3.712.744          |
| 2.2.1 Revocable loan granting commitments  |             | 376.167   | 3.347.150          | 3.723.317          | 432.582                                     | 3.280.162          | 3.712.744          |
| 2.2.2 Other revocable commitments  |             | -   | -                  | -                  | -   | -                  | -                  |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                                       | (2)         | <b>4.219.778</b>                                | <b>21.698.454</b>  | <b>25.918.232</b>  | <b>2.656.293</b>                            | <b>17.354.848</b>  | <b>20.011.141</b>  |
| 3.1 Derivative financial instruments for hedging purposes                          |             | -   | 6.615.600          | 6.615.600          | -   | 4.689.900          | 4.689.900          |
| 3.1.1 Fair value hedge   |             | -   | 6.615.600          | 6.615.600          | -   | 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  |             | 4.219.778                                       | 15.082.854         | 19.302.632         | 2.656.293                                   | 12.664.948         | 15.321.241         |
| 3.2.1 Forward foreign currency buy/sell transactions                               |             | 241.573   | 632.282            | 873.855            | 47.844                                      | 359.244            | 407.088            |
| 3.2.1.1 Forward foreign currency transactions-buy                                  |             | 120.883   | 316.496            | 437.379            | 23.898                                      | 180.556            | 204.454            |
| 3.2.1.2 Forward foreign currency transactions-sell                                 |             | 120.690   | 315.786            | 436.476            | 23.946                                      | 178.688            | 202.634            |
| 3.2.2 Swap transactions related to f.c. and interest rates                         |             | 2.157.563                                       | 12.380.632         | 14.538.195         | 1.554.677                                   | 10.793.868         | 12.348.545         |
| 3.2.2.1 Foreign currency swaps-buy   |             | 477.761   | 2.523.547          | 3.001.308          | 621.999                                     | 1.978.589          | 2.600.588          |
| 3.2.2.2 Foreign currency swaps-sell  |             | 1.636.458                                       | 1.261.303          | 2.897.761          | 887.822                                     | 1.671.255          | 2.559.077          |
| 3.2.2.3 Interest rate swaps-buy  |             | 21.672  | 4.297.891          | 4.319.563          | 22.428                                      | 3.572.012          | 3.594.440          |
| 3.2.2.4 Interest rate swaps-sell   |             | 21.672  | 4.297.891          | 4.319.563          | 22.428                                      | 3.572.012          | 3.594.440          |
| 3.2.3 Foreign currency, interest rate and securities options                       |             | 1.680.642                                       | 1.808.337          | 3.488.979          | 1.053.772                                   | 1.422.626          | 2.476.398          |
| 3.2.3.1 Foreign currency options-buy   |             | 838.771   | 905.895            | 1.744.666          | 526.886                                     | 711.313            | 1.238.199          |
| 3.2.3.2 Foreign currency options-sell  |             | 841.871   | 902.442            | 1.744.313          | 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  |             | -   | -                  | -                  | -   | -                  | -                  |
| 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  |             | 140.000   | 261.603            | 401.603            | -   | 89.210             | 89.210             |
| <b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>                                 |             | <b>40.179.009</b>                               | <b>163.278.661</b> | <b>203.457.670</b> | <b>32.899.924</b>                           | <b>146.256.211</b> | <b>179.156.135</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>   |             | <b>1.729.321</b>                                | <b>103.778</b>     | <b>1.833.099</b>   | <b>2.053.865</b>                            | <b>89.752</b>      | <b>2.143.617</b>   |
| 4.1 Customers' securities held   |             | -   | -                  | -                  | -   | -                  | -                  |
| 4.2 Investment securities held in custody  |             | 26.543  | 103.778            | 130.321            | 53.414                                      | 89.752             | 143.166            |
| 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   |             | 1.702.778                                       | -                  | 1.702.778          | 2.000.451                                   | -                  | 2.000.451          |
| <b>V. PLEDGED ITEMS</b>  |             | <b>27.687.512</b>                               | <b>97.630.452</b>  | <b>125.317.964</b> | <b>20.595.003</b>                           | <b>87.930.136</b>  | <b>108.525.139</b> |
| 5.1 Marketable securities  |             | 450.941   | 6.549.290          | 7.000.231          | 450.939                                     | 5.057.844          | 5.508.783          |
| 5.2 Guarantee notes  |             | 108.166   | 1.793.531          | 1.901.697          | 80.234                                      | 1.661.953          | 1.742.187          |
| 5.3 Commodity  |             | -   | -                  | -                  | -   | -                  | -                  |
| 5.4 Warranty   |             | -   | -                  | -                  | -   | -                  | -                  |
| 5.5 Real estates   |             | 381.922   | 26.075.332         | 26.457.254         | 355.357                                     | 24.469.785         | 24.825.142         |
| 5.6 Other pledged items  |             | 26.746.483                                      | 63.212.299         | 89.958.782         | 19.708.473                                  | 56.740.554         | 76.449.027         |
| 5.7 Pledged items-depository   |             | -   | -                  | -                  | -   | -                  | -                  |
| <b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>                              |             | <b>10.762.176</b>                               | <b>65.544.431</b>  | <b>76.306.607</b>  | <b>10.251.056</b>                           | <b>58.236.323</b>  | <b>68.487.379</b>  |
| <b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>   |             | <b>45.289.456</b>                               | <b>190.138.149</b> | <b>235.427.605</b> | <b>36.473.260</b>                           | <b>168.586.487</b> | <b>205.059.747</b> |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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

|  | Note<br>Ref. | Reviewed<br>Current Period<br>1 January 2016 –<br>30 September 2016 | Reviewed<br>Prior Period<br>1 January 2015 –<br>30 September 2015 | Reviewed<br>Current Period<br>1 July 2016 –<br>30 September 2016 | Reviewed<br>Prior Period<br>1 July 2015 –<br>30 September 2015 |
|--|--------------|---|---|--|--|
| <b>INTEREST INCOME</b>   | (1)          | <b>1.002.047</b>  | <b>779.250</b>  | <b>355.586</b>   | <b>279.363</b>   |
| Interest on loans  |              | 592.832   | 492.850   | 212.906  | 180.611  |
| Interest received from reserve deposits  |              | 2.540   | 648   | 805  | 391  |
| Interest received from banks   |              | 6.844   | 2.959   | 3.522  | 225  |
| Interest received from money market placements   |              | 136.365   | 58.435  | 46.527   | 31.971   |
| Interest received from marketable securities portfolio                                   |              | 262.929   | 224.244   | 91.703   | 66.110   |
| Financial assets held for trading  |              | 1.272   | 1.157   | 217  | 608  |
| Financial assets at fair value through profit and loss                                   |              | -   | -   | -  | -  |
| Available-for-sale financial assets  |              | 198.522   | 220.925   | 67.753   | 63.340   |
| Investments held-to-maturity   |              | 63.135  | 2.162   | 23.733   | 2.162  |
| Finance lease income   |              | 10  | 1   | 9  | -  |
| Other interest income  |              | 527   | 113   | 114  | 55   |
| <b>INTEREST EXPENSES</b>   | (2)          | <b>(422.466)</b>  | <b>(333.129)</b>  | <b>(147.452)</b>   | <b>(128.233)</b>   |
| Interest on deposits   |              | -   | -   | -  | -  |
| Interest on funds borrowed   |              | (163.241)   | (129.312)   | (61.255)   | (51.288)   |
| Interest on money market borrowings  |              | (159.371)   | (136.753)   | (44.615)   | (46.218)   |
| Interest on securities issued  |              | (99.722)  | (66.905)  | (41.533)   | (30.637)   |
| Other interest expense   |              | (132)   | (159)   | (49)   | (90)   |
| <b>NET INTEREST INCOME (I - II)</b>  |              | <b>579.581</b>  | <b>446.121</b>  | <b>208.134</b>   | <b>151.130</b>   |
| <b>NET FEES AND COMMISSIONS INCOME</b>   |              | <b>3.571</b>  | <b>8.059</b>  | <b>960</b>   | <b>3.527</b>   |
| Fees and commissions received  |              | 8.941   | 9.848   | 2.814  | 4.217  |
| Non-cash loans   |              | 8.305   | 8.580   | 2.701  | 4.010  |
| Other  |              | 636   | 1.268   | 113  | 207  |
| Fees and commissions paid  |              | (5.370)   | (1.789)   | (1.854)  | (690)  |
| Non-cash loans   |              | (171)   | (5)   | (132)  | (2)  |
| Other  |              | (5.199)   | (1.784)   | (1.722)  | (688)  |
| <b>DIVIDEND INCOME</b>   | (3)          | <b>30.102</b>   | <b>33.604</b>   | -  | -  |
| <b>NET TRADING INCOME</b>  | (4)          | <b>(59.887)</b>   | <b>(9.402)</b>  | <b>(23.902)</b>  | <b>(4.603)</b>   |
| Securities trading gains/ (losses)   |              | 5.738   | 2.939   | 343  | (3.254)  |
| Derivative financial instruments gains/losses  |              | (137.776)   | (60.099)  | 4.755  | 23.846   |
| Foreign exchange gains/losses (net)  |              | 72.151  | 47.758  | (29.000)   | (25.195)   |
| <b>OTHER OPERATING INCOME</b>  | (5)          | <b>14.511</b>   | <b>40.718</b>   | <b>1.115</b>   | <b>931</b>   |
| <b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>  |              | <b>567.878</b>  | <b>519.100</b>  | <b>186.307</b>   | <b>150.985</b>   |
| <b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>                               | (6)          | <b>(28.328)</b>   | <b>(81.875)</b>   | <b>(11.506)</b>  | <b>(20.879)</b>  |
| <b>OTHER OPERATING EXPENSES (-)</b>  | (7)          | <b>(87.307)</b>   | <b>(76.191)</b>   | <b>(27.117)</b>  | <b>(23.615)</b>  |
| <b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>   |              | <b>452.243</b>  | <b>361.034</b>  | <b>147.684</b>   | <b>106.491</b>   |
| <b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>                                    |              | -   | -   | -  | -  |
| <b>PROFIT / (LOSS) ON EQUITY METHOD</b>  |              | -   | -   | -  | -  |
| <b>GAIN / (LOSS) ON NET MONETARY POSITION</b>  |              | -   | -   | -  | -  |
| <b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>            |              | <b>452.243</b>  | <b>361.034</b>  | <b>147.684</b>   | <b>106.491</b>   |
| <b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>  | (8)          | <b>(85.385)</b>   | <b>(69.015)</b>   | <b>(30.002)</b>  | <b>(24.106)</b>  |
| Provision for current income taxes   |              | (93.571)  | (34.766)  | (21.089)   | (15.185)   |
| Provision for deferred taxes   |              | 8.186   | (34.249)  | (8.913)  | (8.921)  |
| <b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>                              | (9)          | <b>366.858</b>  | <b>292.019</b>  | <b>117.682</b>   | <b>82.385</b>  |
| <b>INCOME ON DISCONTINUED OPERATIONS</b>   |              | -   | -   | -  | -  |
| Income on assets held for sale   |              | -   | -   | -  | -  |
| Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.) |              | -   | -   | -  | -  |
| Income on other discontinued operations  |              | -   | -   | -  | -  |
| <b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>   |              | -   | -   | -  | -  |
| Loss from assets held for sale   |              | -   | -   | -  | -  |
| Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)   |              | -   | -   | -  | -  |
| Loss from other discontinued operations  |              | -   | -   | -  | -  |
| <b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>               |              | -   | -   | -  | -  |
| <b>TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>                                      |              | -   | -   | -  | -  |
| Provision for current income taxes   |              | -   | -   | -  | -  |
| Provision for deferred taxes   |              | -   | -   | -  | -  |
| <b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>                             |              | -   | -   | -  | -  |
| <b>NET PROFIT/LOSS (XVII+XXII)</b>   | (10)         | <b>366.858</b>  | <b>292.019</b>  | <b>117.682</b>   | <b>82.385</b>  |
| Earnings / (losses) per share (Full Kuruş)   |              | 0,179   | 0,142   | 0,057  | 0,040  |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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

|   | Reviewed<br>Current Period<br>1 January 2016–<br>30 September 2016 | Reviewed<br>Prior Period<br>1 January 2015–<br>30 September 2015 |
|---|--|--|
| <b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>   |  |  |
| <b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>                    | <b>47.685</b>  | <b>(202.680)</b>   |
| <b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>  | <b>-</b>   | <b>32.013</b>  |
| <b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>   | <b>-</b>   | <b>-</b>   |
| <b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>   | <b>2.928</b>   | <b>2.994</b>   |
| <b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)</b>      | <b>-</b>   | <b>-</b>   |
| <b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b> | <b>-</b>   | <b>-</b>   |
| <b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS</b>   | <b>-</b>   | <b>-</b>   |
| <b>VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>  | <b>34.848</b>  | <b>(50.244)</b>  |
| <b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>  | <b>(9.578)</b>   | <b>45.718</b>  |
| <b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>                                       | <b>75.883</b>  | <b>(172.199)</b>   |
| <b>XI. CURRENT YEAR PROFIT/LOSS</b>   | <b>366.858</b>   | <b>292.019</b>   |
| 11.1 Net changes in fair value of securities (Recycled to Profit/Loss)  | 735  | 7.695  |
| 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  | 366.123  | 284.324  |
| <b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>   | <b>442.741</b>   | <b>119.820</b>   |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

|   | 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 Securities Value Increase Fund | Tangible and Intangible Assets Revaluation Differences | Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities | Hedging Reserves | Revaluation Surplus on Assets Held for sale and on Disc. Operations | Shareholders' Equity Before Non-controlling Interest | Non-Controlling Interest | Total Shareholders' Equity |
|---|---|------------------|------------------------|----------------|----------------------------|----------------|-----------------|------------------------|----------------|----------------------------------|--------------------------------|---|--|---|------------------|---|--|--------------------------|----------------------------|
| <b>CHANGES IN SHAREHOLDER'S EQUITY</b>    |   |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
| I.  | Prior Period – 30 September 2015  |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
|   | Opening Balance   | 1.500.000        | 374                    | -              | -                          | 173.329        | 75.641          | 54.612                 | 2.909          | -                                | 369.274                        | 102.626                                   | 9.320  | -   | -                | -   | 2.288.085  | -                        | 2.288.085                  |
|   | Changes during the period   |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
| II.                                       | Increase / Decrease related to merger   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| III.                                      | Marketable securities value increase fund   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | (207.206)                                 | -  | -   | -                | -   | (207.206)  | -                        | (207.206)                  |
| 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)                          | -                              | -   | 39.629   | -   | -                | -   | 32.013   | -                        | 32.013                     |
| VI.                                       | Intangible assets revaluation differences   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| VII.                                      | Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.) | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| VIII.                                     | Foreign exchange differences  | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | 2.994                                     | -  | -   | -                | -   | 2.994  | -                        | 2.994                      |
| IX.                                       | Disposal of assets  | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| X.  | Reclassification of assets  | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| XI.                                       | Effect of change in equities of associates on bank's equity                                       | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| XII.                                      | Capital increase  | 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   | -                | (11)                   | -              | -                          | -              | -               | -                      | 11             | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| XVII.                                     | Period net income   | -                | -                      | -              | -                          | -              | -               | -                      | -              | 292.019                          | -                              | -   | -  | -   | -                | -   | 292.019  | -                        | 292.019                    |
| I.  | Profit distribution   | -                | -                      | -              | -                          | 19.305         | -               | 28.091                 | -              | -                                | (127.658)                      | -   | -  | -   | -                | -   | (80.262)   | -                        | (80.262)                   |
| 18.1                                      | Dividends distributed   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | (80.262)                       | -   | -  | -   | -                | -   | (80.262)   | -                        | (80.262)                   |
| 18.2                                      | Transfers to reserves   | -                | -                      | -              | -                          | 19.305         | -               | 28.091                 | -              | -                                | (47.396)                       | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 18.3                                      | Other   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
|   | <b>Closing Balance</b>  | <b>1.750.000</b> | <b>363</b>             | <b>-</b>       | <b>-</b>                   | <b>192.634</b> | <b>75.641</b>   | <b>82.703</b>          | <b>2.920</b>   | <b>292.019</b>                   | <b>-</b>                       | <b>(101.586)</b>                          | <b>32.949</b>  | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.327.643</b>                                     | <b>-</b>                 | <b>2.327.643</b>           |
| <b>Current Period – 30 September 2016</b> |   |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
| I.  | Opening Balance   | 1.750.000        | 57                     | -              | -                          | 192.634        | 75.641          | 82.703                 | 2.844          | -                                | 406.845                        | (53.345)                                  | 31.348   | -   | -                | -   | 2.488.727  | -                        | 2.488.727                  |
|   | Changes during the period   |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
| II.                                       | Increase / Decrease related to merger   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| III.                                      | Marketable securities value increase fund   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | 72.879                                    | -  | -   | -                | -   | 72.879   | -                        | 72.879                     |
| IV.                                       | Hedging (Effective portion)   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 4.1                                       | Cash-flow hedge   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 4.2                                       | Hedge of net investment in foreign operations   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| V.  | Tangible assets revaluation differences   | -                | -                      | -              | -                          | -              | -               | -                      | -              | (20)                             | -                              | -   | 20   | -   | -                | -   | -  | -                        | -                          |
| VI.                                       | Intangible assets revaluation differences   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| VII.                                      | Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.) | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| VIII.                                     | Foreign exchange differences  | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | 2.928                                     | -  | -   | -                | -   | 2.928  | -                        | 2.928                      |
| IX.                                       | Disposal of assets  | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| X.  | Reclassification of assets  | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| XI.                                       | Effect of change in equities of associates on bank's equity                                       | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| XII.                                      | Capital increase  | 300.000          | -                      | -              | -                          | -              | -               | -                      | -              | -                                | (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   | -                | -                      | -              | -                          | -              | -               | -                      | 76             | -                                | -                              | -   | -  | -   | -                | -   | 76   | -                        | 76                         |
| XVII.                                     | Period net income   | -                | -                      | -              | -                          | -              | -               | -                      | -              | 366.858                          | -                              | -   | -  | -   | -                | -   | 366.858  | -                        | 366.858                    |
| I.  | 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   | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
|   | <b>Closing Balance</b>  | <b>2.050.000</b> | <b>57</b>              | <b>-</b>       | <b>-</b>                   | <b>213.923</b> | <b>75.641</b>   | <b>106.400</b>         | <b>2.920</b>   | <b>366.858</b>                   | <b>-</b>                       | <b>22.462</b>                             | <b>31.368</b>  | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.869.629</b>                                     | <b>-</b>                 | <b>2.869.629</b>           |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

|   | Note Ref. | Reviewed<br>Current Period<br>30 September 2016 | Reviewed<br>Prior Period<br>30 September 2015 |
|---|-----------|---|---|
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |           |   |   |
| <b>1.1 Operating profit before changes in operating assets and liabilities</b>            |           | <b>540.326</b>                                  | <b>543.064</b>                                |
| 1.1.1 Interest received   |           | 893.362   | 585.370                                       |
| 1.1.2 Interest paid   |           | (309.721)                                       | (215.441)                                     |
| 1.1.3 Dividends received  |           | 9.479   | 8.376   |
| 1.1.4 Fees and commissions received   |           | 8.941   | 9.848   |
| 1.1.5 Other income  |           | 20.540  | 68.699  |
| 1.1.6 Collections from previously written off loans                                       |           | 12.658  | 345   |
| 1.1.7 Payments to personnel and service suppliers   |           | (56.740)  | -50.501                                       |
| 1.1.8 Taxes paid  |           | (114.331)                                       | -51.999                                       |
| 1.1.9 Others  | (1)       | 76.138  | 188.367                                       |
| <b>1.2 Changes in operating assets and liabilities</b>                                    |           | <b>(1.177.210)</b>                              | <b>(273.611)</b>                              |
| 1.2.1 Net (increase) decrease in financial assets   |           | 14.126  | (26.039)                                      |
| 1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss    |           | -   | -   |
| 1.2.3 Net (increase) decrease in due from banks and other financial institutions          |           | -   | -   |
| 1.2.4 Net (increase) decrease in loans  |           | (1.292.654)                                     | (606.908)                                     |
| 1.2.5 Net (increase) decrease in other assets   |           | (31.216)  | (476.010)                                     |
| 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   |           | 183.749   | 957.553                                       |
| 1.2.9 Net increase (decrease) in matured payables   |           | -   | -   |
| 1.2.10 Net increase (decrease) in other liabilities                                       | (1)       | (51.215)  | (122.207)                                     |
| <b>I. Net cash provided by/(used in) banking operations</b>                               |           | <b>(636.884)</b>                                | <b>269.453</b>                                |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |           |   |   |
| <b>II. Net cash provided by/(used in) investing activities</b>                            |           | <b>(173.211)</b>                                | <b>(186.451)</b>                              |
| 2.1 Cash paid for purchase of entities under common control, associates and subsidiaries  |           | (1.000)   | -   |
| 2.2 Cash obtained from sale of entities under common control, associates and subsidiaries |           | -   | -   |
| 2.3 Fixed asset purchases   |           | (1.547)   | (12.639)                                      |
| 2.4 Fixed asset sales   |           | 204   | 6.060   |
| 2.5 Cash paid for purchase of financial assets available for sale                         |           | (581.909)                                       | (893.864)                                     |
| 2.6 Cash obtained from sale of financial assets available for sale                        |           | 411.558   | 714.037                                       |
| 2.7 Cash paid for purchase of investment securities                                       |           | -   | -   |
| 2.8 Cash obtained from sale of investment securities                                      |           | -   | -   |
| 2.9 Others  | (1)       | (517)   | (45)  |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |           |   |   |
| <b>III. Net cash provided by/(used in) financing activities</b>                           |           | <b>816.470</b>                                  | <b>847.168</b>                                |
| 3.1 Cash obtained from funds borrowed and securities issued                               |           | 878.309   | 927.430                                       |
| 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   |           | -   | -   |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>         | (1)       | <b>8.290</b>                                    | <b>8.467</b>                                  |
| <b>V. Net increase / (decrease) in cash and cash equivalents</b>                          |           | <b>14.665</b>                                   | <b>938.637</b>                                |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                           |           | <b>1.652.278</b>                                | <b>261.102</b>                                |
| <b>VII. Cash and cash equivalents at end of the period</b>                                |           | <b>1.666.943</b>                                | <b>1.199.739</b>                              |

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



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION THREE**

**ACCOUNTING POLICIES**

**I. Basis of Presentation**

**I.a Presentation of financial statements:**

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) except for 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 unconsolidated 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 unconsolidated financial statements, the underlying explanations and disclosures are expressed in Thousands of Turkish Lira unless otherwise stated.

**Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

**I.b The valuation principles used in the preparation of the financial statements**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXII.

**I.c The accounting policies for the correct understanding of the financial statements**

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

**II. Explanations on usage strategy of financial assets and foreign currency transactions**

The main sources of the funds of the Bank have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Bank have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Eurobond and Greenbond 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.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 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)**

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

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

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

The Bank liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors’ expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Bank’s unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Bank’s strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency available for sale securities:

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of changes in cross currency parity.

Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources.

The hedging strategies for other foreign exchange risk exposures:

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

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Explanations on forward and option contracts and derivative instruments**

The Bank is exposed to financial risk which depend on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Bank are foreign currency forwards, swaps and option agreements.

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

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

**IV. Explanations on interest income and expenses**

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value).

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

**V. Explanations on fees and commission income and expenses**

Fees and commissions received from loans, that are not an integral part of the effective interest rate, and fees for various banking services are recorded as income when collected. Fees and commissions paid for the funds borrowed, which are not integral parts of the effective interest rate of the funds borrowed, are recorded as expense on the date of the payment. The fees and commission income and expenses obtained from cash and non-cash loans are recorded under income and expense accounts in the related period by discounting with effective interest method according to matching principle.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VI. Explanations on financial assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the both of the Bank's trading activities and operations. Risks related with these instruments constitutes majority of total risks. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. The Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the income statement, gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are explained below.

Cash, Banks and Other Financial Institutions:

Cash and cash equivalents comprise cash in vault and foreign currency cash. Foreign currency cash and foreign currency deposits are reflected to balance sheet in TL which is translated in accordance with prevalent exchange rate on reporting date. The book values of these assets approximate to their fair values.

Marketable Securities:

The Bank classifies its marketable securities in 3 groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at the inception as financial assets at fair value through profit or loss by the Bank. The Bank uses such classification above when permitted or for the purposes of providing a more proper disclosure.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices.

Gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the “Interest Income” account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the “Gains on Securities Trading” account. If the fair value is under the amortized cost, the negative difference is booked under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement.

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfilment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using internal rate of return less impairment losses, if any. Interest income earned from held-to-maturity investments is recognized as interest income on income statement.

The Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the CPI indexed marketable securities. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements.

Explanations on investments in associates and subsidiaries

Investments in associates and subsidiaries are recognized within the scope of “TAS 27-Separate Financial Statements”. 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 fair value is not 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.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Loans:

Loans are financial assets which have fixed payment terms and are not traded.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as part of transaction costs and reflected to customers.

Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement as well as their classification to non-performing loans as per the related regulations. The collections made related to loans including those on non-performing loans for which provision is made in the current period are recorded in "Provision for Loans and Other Receivables (including received from Loans and receivables with doubtful collectability)" and "Interest Received from Non-performing Loans" account.

Releases of loan loss provisions are recorded by reversing the provisions booked during the year and the collections made related to loan losses previously accounted for are recorded to collections related to the prior period expenses.

**VII. Explanations on impairment on financial assets**

At each reporting date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event ("loss event") after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized.

Loans are classified and followed in line with the provisions of the "Regulation on Identification of Loans and Other Receivables and Provisioning against Them", published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on impairment on financial assets (continued)**

Other than specific provisions, the Bank provides general provision for loans and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables.

**VIII. Explanations on offsetting of financial assets and liabilities**

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

**IX. Explanations on sales and repurchase agreements and lending of securities**

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

The repurchase agreements of the Bank are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under fair value profit or loss available for sale or held to maturity financial asset with parallel to classifications of financial instruments. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in “Receivables from Reverse Repurchase Agreements” account in the balance sheet.

**X. Explanations on assets held for sale and discontinued operations**

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a division that is either disposed or held for sale. Results of discontinued operations are included separately in the income statement.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XI. Explanations on goodwill and other intangible assets**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

As of reporting date, The Bank has no goodwill on the unconsolidated financial statements.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

**XII. Explanations on tangible assets**

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value. Normal maintenance and repair expenditures are recognized as expense.

As of the third quarter of 2015, the Bank changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal's report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (IAS 36), the value of the asset is reduced to its "net realizable value" and are reserved impairment provision associated with expense accounts. The positive difference between appraisement value and net book value of the property is accounted under shareholder' equity.



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XII. Explanations on tangible assets (continued)**

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.

| <b>Tangible Assets</b> | <b>Expected Useful Lives (Years)</b> | <b>Depreciation Rate (%)</b> |
|------------------------|--------------------------------------|------------------------------|
| Cashboxes              | 4-50                                 | 2-25                         |
| Vehicles               | 5                                    | 20                           |
| Other Tangible Assets  | 1-50                                 | 2-100                        |

**XIII. Explanations on leasing transactions**

***The Bank as Lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

***The Bank as Lessee***

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Bank's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

**XIV. Explanations on provisions and contingent liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Bank discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

***Explanations on contingent assets***

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are recognised in the financial statements of the period in which the change occurred.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on liabilities regarding employee benefits**

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. In retirement and involuntarily leaving, the Bank records the present value of the defined benefit obligation. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

Employees of the Bank are members of “Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı” and “Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı” (“the Pension Fund”). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of “Regulations on Actuaries” issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act (“Banking Act”) No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court’s decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks’ pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers’ Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No:28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on liabilities regarding employee benefits (continued)**

In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and there is no decision taken by the Cabinet with regards to issue at the date of financial statements.

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2015 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2016, as of 31 December 2015, there is no technical or actual shortage requiring provision.

In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

**XVI. Explanations on taxation**

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVI. Explanations on taxation (continued)**

*Transfer pricing*

Transfer pricing is regulated through article 13 of Corporate Tax Law titled “Transfer Pricing through camouflage of earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**XVII. Additional explanations on borrowings**

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

Borrowings are recognized at initial cost on transaction date and carried at amortized cost using effective interest method. In the accompanying financial statements, foreign currency debt instruments are valued using foreign exchange rates of the Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

All other borrowing costs are recorded to the income statement at the period they are incurred.

**XVIII. Explanations on share certificates issued**

In the meeting of the General Assembly held on 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. The applications to BRSA and CMB related to increase has been performed and the process is finalised as of reporting date.

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.

**XIX. Explanations on acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

**XX. Explanations on government incentives**

The Bank does not use government incentives.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXI. Explanations on segment reporting**

In accordance with its mission, the Bank mainly operates in investment and corporate banking segments.

Corporate Marketing Management and Project Finance Management operations are included in the corporate banking operations. The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Among the services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit and letters of guarantees.

The activities of investment banking are; the operations of Treasury, Corporate Finance. Under the investment banking activities, portfolio management for corporate and individual customers, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided. The segmental allocation of the Bank's net profit, total assets and total liabilities are shown below.

| <b>Current Period</b>                     | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>     | <b>Total</b>      |
|---|--------------------------|---------------------------|------------------|-------------------|
| Net Interest Income                       | 248.688                  | 330.893                   | -                | 579.581           |
| Net Fees and Commission Income            | 8.161                    | (4.589)                   | (1)              | 3.571             |
| Other Income                              | 530                      | -                         | 44.083           | 44.613            |
| Other Expense                             | (51.967)                 | (58.856)                  | (64.699)         | (175.522)         |
| Profit Before Tax                         | 205.412                  | 267.448                   | (20.617)         | 452.243           |
| Tax Provision                             | -                        | -                         | -                | (85.385)          |
| <b>Net Profit</b>                         |                          |                           |                  | <b>366.858</b>    |
| <b>Current Period</b>                     |                          |                           |                  |                   |
| Segment Assets                            | 15.353.397               | 6.912.341                 | 269.993          | 22.535.731        |
| Investment in Associates and Subsidiaries | -                        | -                         | 334.547          | 334.547           |
| <b>Total Assets</b>                       | <b>15.353.397</b>        | <b>6.912.341</b>          | <b>604.540</b>   | <b>22.870.278</b> |
| Segment Liabilities                       | 18.002.667               | 1.597.185                 | 400.797          | 20.000.649        |
| Shareholders' Equity                      | -                        | -                         | 2.869.629        | 2.869.629         |
| <b>Total Liabilities</b>                  | <b>18.002.667</b>        | <b>1.597.185</b>          | <b>3.270.426</b> | <b>22.870.278</b> |

| <b>Prior Period (*)</b>                   | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>     | <b>Total</b>      |
|---|--------------------------|---------------------------|------------------|-------------------|
| Net Interest Income                       | 243.240                  | 202.881                   | -                | 446.121           |
| Net Fees and Commission Income            | 8.600                    | (458)                     | (83)             | 8.059             |
| Other Income                              | 333                      | -                         | 73.989           | 74.322            |
| Other Expense                             | (90.281)                 | (21.523)                  | (55.664)         | (167.468)         |
| Profit Before Tax                         | 161.892                  | 180.900                   | 18.242           | 361.034           |
| Tax Provision                             | -                        | -                         | -                | (69.015)          |
| <b>Net Profit</b>                         |                          |                           |                  | <b>292.019</b>    |
| <b>Prior Period (**)</b>                  |                          |                           |                  |                   |
| Segment Assets                            | 13.675.479               | 6.471.096                 | 309.303          | 20.455.878        |
| Investment in Associates and Subsidiaries | -                        | -                         | 278.707          | 278.707           |
| <b>Total Assets</b>                       | <b>13.675.479</b>        | <b>6.471.096</b>          | <b>588.010</b>   | <b>20.734.585</b> |
| Segment Liabilities                       | 16.220.868               | 1.640.878                 | 384.112          | 18.245.858        |
| Shareholders' Equity                      | -                        | -                         | 2.488.727        | 2.488.727         |
| <b>Total Liabilities</b>                  | <b>16.220.868</b>        | <b>1.640.878</b>          | <b>2.872.839</b> | <b>20.734.585</b> |

(\*) Includes information of 30 September 2015.

(\*\*) Includes information of 31 December 2015.

**XXII. Explanations on other matters**

None.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Information related to the components of unconsolidated 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 of 30 September 2016, The Capital adequacy ratio of Bank has been calculated as 15,20%.

|   | Amount           | Amounts related to treatment before 1/1/2014(*) |
|---|------------------|---|
| <b>CORE EQUITY TIER 1 CAPITAL</b>   |                  | -   |
| Paid-in capital to be entitled for compensation after all creditors   | 2.050.374        |   |
| Share premiums  | -                |   |
| Reserves  | 398.884          |   |
| Other comprehensive income according to TAS   | 102.273          |   |
| Profit  | 366.858          |   |
| Current Period Profit   | 366.858          |   |
| Prior Period Profit   | -                |   |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit  | -                |   |
| <b>Core Equity Tier 1 Capital Before Deductions</b>   | <b>2.918.389</b> |   |
| <b>Deductions from Core Equity Tier 1 Capital</b>   |                  |   |
| Valuation adjustments calculated as per the 1 <sup>st</sup> 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   | 48.761           | -   |
| Leasehold improvements on operational leases  | 5.492            | -   |
| Goodwill (net of related tax liability)   | -                | -   |
| Other intangible assets other than mortgage-servicing rights (net of related tax liability)   | 533              | -   |
| 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   | -                | -   |
| 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         | -                | -   |
| 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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Information related to the components of unconsolidated 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  | -                | - |
| <b>Total Regulatory Adjustments to Tier I Capital</b>  | <b>54.786</b>    |   |
| <b>Core Equity Tier I Capital</b>  | <b>2.863.603</b> |   |
| 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)   | -                |   |
| <b>Additional Tier I Capital before Deductions</b>   | <b>-</b>         |   |
| <b>Deductions from Additional Tier I Capital</b>   | <b>-</b>         |   |
| 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  | -                | - |
| Preferred Stock not Included in Core Equity and the Related Share Premiums   | -                |   |
| <b>Items to be Deducted from Tier I Capital during the Transition Period</b>   |                  |   |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | 355              | - |
| Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 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 (-)   | -                |   |
| <b>Total Deductions From Additional Tier I Capital</b>   | <b>-</b>         |   |
| <b>Total Additional Tier I Capital</b>   | <b>-</b>         |   |
| <b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>  | <b>2.863.248</b> |   |
| <b>TIER II CAPITAL</b>   |                  |   |
| 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)  | 159.758          |   |
| <b>Tier II Capital Before Deductions</b>   | <b>159.758</b>   |   |
| <b>Deductions From Tier II Capital</b>   |                  |   |
| 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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**I. Information related to the components of unconsolidated 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 (-)   | -                |   |
| <b>Total Deductions from Tier II Capital</b>  | -                |   |
| <b>Total Tier II Capital</b>  | <b>159.758</b>   |   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>3.023.006</b> |   |
| <b>Deductions from Total Capital</b>  |                  |   |
| Loans granted against the articles 50 and 51 of the banking law   | -                |   |
| Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years   | 375              |   |
| Other items to be defined by the BRSA   | -                |   |
| <b>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>   | -                |   |
| 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                  | -                | - |
| <b>CAPITAL</b>  |                  | - |
| Total Capital   | 3.022.631        | - |
| Total Risk Weighted Assets  | 19.890.115       | - |
| <b>Capital Adequacy Ratios</b>  | -                | - |
| Core Capital Adequacy Ratio (%)   | 14,40            | - |
| Tier I Capital Adequacy Ratio (%)   | 14,40            | - |
| Capital Adequacy Ratio (%)  | 15,20            | - |
| <b>BUFFERS</b>  |                  |   |
| Total buffer requirement (%)  | 5,13             | - |
| 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   | 7,20             | - |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>  |                  | - |
| 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   | 213.531          | - |
| Remaining mortgage servicing rights   | -                | - |



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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

|  |         |   |
|--|---------|---|
| Excess amount arising from deferred tax assets from temporary differences  | -       | - |
| <b>Limits Related to Provisions Considered in Tier II Calculation</b>  |         |   |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation)  | 159.758 | - |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 159.758 | - |
| 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 | -       | - |
| <b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>   |         |   |
| 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   | -       | - |
| Excess amount arising from deferred tax assets from temporary differences  | -       | - |

(\*) 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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

|   | <b>Prior<br/>Period(*)</b> |
|---|----------------------------|
| <b>TIER 1 CAPITAL</b>   |                            |
| Paid-in capital to be entitled for compensation after all creditors   | 1.750.374                  |
| Share premium   | -                          |
| Share cancellation profits  | -                          |
| Legal reserves  | 353.822                    |
| Other comprehensive income according to TAS   | 90.614                     |
| Profit  | 406.845                    |
| Net current period profit   | 406.845                    |
| Prior period profit   | -                          |
| Provisions for possible losses  | -                          |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit  | -                          |
| <b>Tier I Capital Before Deductions</b>   | <b>2.601.655</b>           |
| <b>Deductions From Tier I Capital</b>   |                            |
| Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)   | 112.928                    |
| Leasehold improvements on operational leases (-)  | 6.268                      |
| Goodwill and intangible assets and related deferred tax liabilities (-)   | 686                        |
| Net deferred tax assets / liabilities (-)   | 1.149                      |
| Shares obtained against article 56, paragraph 4 of the Banking Law (-)  | -                          |
| Investments in own common equity (-)  | -                          |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% 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 (-)         | -                          |
| 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 (-)   | -                          |
| <b>Total Regulatory Adjustments to Tier 1 Capital</b>   | <b>121.031</b>             |
| <b>Tier 1 Capital</b>   | <b>2.480.624</b>           |

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

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

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

|   | Prior Period(*)  |
|---|------------------|
| <b>CAPITAL</b>  | <b>2.630.953</b> |
| Loans granted against the articles 50 and 51 of the banking law (-)   | -                |
| Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)   | 390              |
| 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            |
| <b>EQUITY</b>   | <b>2.628.841</b> |
| <b>Amounts lower than Excesses as per Deduction Rules</b>   |                  |
| Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital   | 22.047           |
| 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          |
| 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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to currency risk**

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on a monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

|   | <b>1 US Dollar</b> | <b>1 Euro</b> |
|---|--------------------|---------------|
| <b>The Bank's "Foreign Exchange Valuation Rate"</b> |                    |               |
| 30 September 2016                                   | 2,9800             | 3,3424        |
| <b><u>Prior Five Workdays:</u></b>                  |                    |               |
| 29 September 2016                                   | 2,9575             | 3,3207        |
| 28 September 2016                                   | 2,9525             | 3,3098        |
| 27 September 2016                                   | 2,9500             | 3,3170        |
| 26 September 2016                                   | 2,9600             | 3,3223        |
| 23 September 2016                                   | 2,9200             | 3,2704        |

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 2,9375 and 3,2959; respectively.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations related to currency risk (continued)**

*Information on the Bank's foreign currency risk:*

|   | <b>Euro</b>      | <b>US Dollar</b>   | <b>Other FC</b>  | <b>Total</b>       |
|---|------------------|--------------------|------------------|--------------------|
| <b>Current Period</b>   |                  |                    |                  |                    |
| <b>Assets</b>   |                  |                    |                  |                    |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey | 229.174          | 506.687            | 114.442          | 850.303            |
| Banks   | 173.539          | 131.850            | 1.228            | 306.617            |
| Financial Assets at Fair Value Through Profit and Loss (*)  | 42.846           | 43.176             | 1.143            | 87.165             |
| Money Market Placements   | -                | -                  | -                | -                  |
| Available-For-Sale Financial Assets   | 36.776           | 840.798            | -                | 877.574            |
| Loans (**)  | 5.782.403        | 7.739.555          | -                | 13.521.958         |
| Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)  | -                | -                  | -                | -                  |
| Held-To-Maturity Investments  | -                | 157.279            | -                | 157.279            |
| Derivative Financial Assets for Hedging Purposes  | -                | 42.021             | -                | 42.021             |
| Tangible Assets   | -                | -                  | -                | -                  |
| Intangible Assets   | -                | -                  | -                | -                  |
| Other Assets (***)  | 12.690           | 128.220            | -                | 140.910            |
| <b>Total Assets</b>   | <b>6.277.428</b> | <b>9.589.586</b>   | <b>116.813</b>   | <b>15.983.827</b>  |
| <b>Liabilities</b>  |                  |                    |                  |                    |
| Bank Deposits   | -                | -                  | -                | -                  |
| Foreign Currency Deposits   | -                | -                  | -                | -                  |
| Money Market Borrowings   | 21.557           | 36.032             | -                | 57.589             |
| Funds Provided From Other Financial Institutions  | 6.317.938        | 7.584.412          | -                | 13.902.350         |
| Marketable Securities Issued  | -                | 3.058.562          | -                | 3.058.562          |
| Miscellaneous Payables (****)   | 11.270           | 24.809             | 39               | 36.118             |
| Derivative Financial Liabilities for Hedging Purposes   | -                | -                  | -                | -                  |
| Other Liabilities (*****)   | 39.119           | 30.207             | 725              | 70.051             |
| <b>Total Liabilities</b>  | <b>6.389.884</b> | <b>10.734.022</b>  | <b>764</b>       | <b>17.124.670</b>  |
| <b>Net Balance Sheet Position</b>   | <b>(112.456)</b> | <b>(1.144.436)</b> | <b>116.049</b>   | <b>(1.140.843)</b> |
| <b>Net Off-Balance Sheet Position</b>   | <b>90.016</b>    | <b>1.193.625</b>   | <b>(115.507)</b> | <b>1.168.134</b>   |
| Financial Derivative Assets   | 694.106          | 3.030.332          | 149.221          | 3.873.659          |
| Financial Derivative Liabilities  | (604.090)        | (1.836.707)        | (264.728)        | (2.705.525)        |
| Non-Cash Loans (*****)  | 675.155          | 674.528            | 12.508           | 1.362.191          |
| <b>Prior Period</b>   |                  |                    |                  |                    |
| Total Assets  | 5.339.580        | 9.781.418          | 95.865           | 15.216.863         |
| Total Liabilities   | 5.688.841        | 9.724.674          | 4.452            | 15.417.967         |
| <b>Net Balance Sheet Position</b>   | <b>(349.261)</b> | <b>56.744</b>      | <b>91.413</b>    | <b>(201.104)</b>   |
| <b>Net Off -Balance Sheet Position</b>  | <b>356.414</b>   | <b>(47.227)</b>    | <b>(89.210)</b>  | <b>219.977</b>     |
| Financial Derivative Assets   | 967.421          | 1.807.942          | 122.609          | 2.897.972          |
| Financial Derivative Liabilities  | (611.007)        | (1.855.169)        | (211.819)        | (2.677.995)        |
| Non-Cash Loans (*****)  | 800.762          | 579.223            | 11.880           | 1.391.865          |

(\*) Exchange rate differences arising from derivative transactions amounting to TL 72.022 is deducted from "Financial Assets at Fair Value through Profit and Loss".

(\*\*) Loans extended include TL 1.219.161 foreign currency indexed loans.

(\*\*\*) Prepaid expenses amounting to TL 458 and forward foreign exchange purchase transaction rediscounts amounting to TL 35 have not been included in "Other Assets".

(\*\*\*\*) Forward foreign exchange purchase transaction rediscounts amounting to TL 64 has not been included in "Miscellaneous Payables".

(\*\*\*\*\* Marketable securities valuation increase fund amounting to TL 21.452 and exchange rate differences arising from derivative transactions amounting to TL 68.555 have not been included in "Other Liabilities". Borrower funds amounting TL 3.776 based on foreign currencies have been included in "Other Liabilities".

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

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to interest rate risk**

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Bank.

Forecast results, which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analysis. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratios including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to interest rate risk (continued)**

*Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items  
(based on repricing dates)*

| Current Period  | Up to 1<br>Month | 1-3<br>Months    | 3-12<br>Months   | 1-5<br>Years       | 5 Years<br>and<br>Over | Non-<br>interest<br>bearing (*) | Total             |
|---|------------------|------------------|------------------|--------------------|------------------------|---------------------------------|-------------------|
| <b>Assets</b>   |                  |                  |                  |                    |                        |                                 |                   |
| Cash (Cash in Vault, Foreign<br>Currency Cash, Money in Transit,<br>Checks Purchased) and Balances<br>with the Central Bank of Turkey | 525.777          | -                | -                | -                  | -                      | 343.638                         | 869.415           |
| Banks   | 416.703          | -                | -                | -                  | -                      | 17.539                          | 434.242           |
| Financial Assets at Fair Value<br>Through Profit and Loss   | 5.625            | 59.992           | 69.938           | 40.578             | 4.930                  | 1.938                           | 183.001           |
| Money Market Placements   | 1.168.982        | 55.103           | -                | -                  | -                      | -                               | 1.224.085         |
| Available-for-Sale Financial Assets   | 429.087          | 890.881          | 528.561          | 756.714            | 603.111                | 43.132                          | 3.251.486         |
| Loans   | 1.791.530        | 5.878.892        | 4.871.830        | 2.357.247          | 452.481                | -                               | 15.351.980        |
| Held-to-Maturity Investments  | -                | 40.638           | 710.174          | -                  | 157.279                | -                               | 908.091           |
| Other Assets  | 26.704           | 2.013            | 14.242           | 479                | -                      | 604.540                         | 647.978           |
| <b>Total Assets</b>   | <b>4.364.408</b> | <b>6.927.519</b> | <b>6.194.745</b> | <b>3.155.018</b>   | <b>1.217.801</b>       | <b>1.010.787</b>                | <b>22.870.278</b> |
| <b>Liabilities</b>  |                  |                  |                  |                    |                        |                                 |                   |
| Bank Deposits   | -                | -                | -                | -                  | -                      | -                               | -                 |
| Other Deposits  | -                | -                | -                | -                  | -                      | -                               | -                 |
| Money Market Borrowings   | 2.143.936        | 68               | -                | -                  | -                      | -                               | 2.144.004         |
| Miscellaneous Payables  | -                | -                | -                | -                  | -                      | 128.395                         | 128.395           |
| Marketable Securities Issued  | -                | -                | -                | 3.058.562          | -                      | -                               | 3.058.562         |
| Funds Provided from Other<br>Financial Institutions   | 1.275.748        | 5.376.745        | 4.508.778        | 1.328.996          | 1.715.328              | -                               | 14.205.595        |
| Other Liabilities (**)  | 17.812           | 66.964           | 76.282           | 30.633             | -                      | 3.142.031                       | 3.333.722         |
| <b>Total Liabilities</b>  | <b>3.437.496</b> | <b>5.443.777</b> | <b>4.585.060</b> | <b>4.418.191</b>   | <b>1.715.328</b>       | <b>3.270.426</b>                | <b>22.870.278</b> |
| Balance Sheet Long Position   | 926.912          | 1.483.742        | 1.609.685        | -                  | -                      | -                               | 4.020.339         |
| Balance Sheet Short Position  | -                | -                | -                | (1.263.173)        | (497.527)              | (2.259.639)                     | (4.020.339)       |
| Off-Balance Sheet Long Position   | -                | -                | -                | 631                | -                      | -                               | 631               |
| Off-Balance Sheet Short Position  | (3.268)          | (9.566)          | (4.597)          | -                  | -                      | -                               | (17.431)          |
| <b>Total Position</b>   | <b>923.644</b>   | <b>1.474.176</b> | <b>1.605.088</b> | <b>(1.262.542)</b> | <b>(497.527)</b>       | <b>(2.259.639)</b>              | <b>(16.800)</b>   |

(\*) 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 5.196 are presented in "Other Liabilities" within 1-month maturity column.



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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to interest rate risk (continued)**

*Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items*

| Prior Period   | Up to 1 Month      | 1-3 Months       | 3-12 Months      | 1-5 Years        | 5 Years and Over | Non-interest bearing (*) | Total             |
|--|--------------------|------------------|------------------|------------------|------------------|--------------------------|-------------------|
| <b>Assets</b>  |                    |                  |                  |                  |                  |                          |                   |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey | 565.428            | -                | -                | -                | -                | 245.686                  | 811.114           |
| Banks  | 524.671            | -                | -                | -                | -                | 10.158                   | 534.829           |
| Financial Assets at Fair Value Through Profit and Loss   | 22.999             | 35.528           | 91.114           | 18.970           | 28.604           | -                        | 197.215           |
| Money Market Placements  | 895.256            | 185.018          | -                | -                | -                | -                        | 1.080.274         |
| Available-for-Sale Financial Assets  | 400.458            | 297.496          | 921.268          | 743.477          | 571.249          | 37.021                   | 2.970.969         |
| Loans  | 2.180.398          | 4.096.269        | 5.490.171        | 1.563.995        | 344.646          | -                        | 13.675.479        |
| Held-to-Maturity Investments   | 168.466            | 508.599          | 38.129           | -                | 157.408          | -                        | 872.602           |
| Other Assets   | -                  | 978              | 3.115            | -                | -                | 588.010                  | 592.103           |
| <b>Total Assets</b>  | <b>4.757.676</b>   | <b>5.123.888</b> | <b>6.543.797</b> | <b>2.326.442</b> | <b>1.101.907</b> | <b>880.875</b>           | <b>20.734.585</b> |
| <b>Liabilities</b>   |                    |                  |                  |                  |                  |                          |                   |
| Bank Deposits  | -                  | -                | -                | -                | -                | -                        | -                 |
| Other Deposits   | -                  | -                | -                | -                | -                | -                        | -                 |
| Money Market Borrowings  | 2.168.420          | 1.061            | -                | -                | -                | -                        | 2.169.481         |
| Miscellaneous Payables   | -                  | -                | -                | -                | -                | 117.245                  | 117.245           |
| Marketable Securities Issued   | -                  | -                | -                | 2.037.571        | -                | -                        | 2.037.571         |
| Funds Provided from Other Financial Institutions   | 3.696.375          | 4.450.339        | 2.678.612        | 1.008.670        | 1.610.791        | -                        | 13.444.787        |
| Other Liabilities (**)   | 53.166             | 43.100           | 86.427           | 18.731           | 8.483            | 2.755.594                | 2.965.501         |
| <b>Total Liabilities</b>   | <b>5.917.961</b>   | <b>4.494.500</b> | <b>2.765.039</b> | <b>3.064.972</b> | <b>1.619.274</b> | <b>2.872.839</b>         | <b>20.734.585</b> |
| <b>Balance Sheet Long Position</b>   | -                  | 629.388          | 3.778.759        | -                | -                | -                        | 4.408.147         |
| <b>Balance Sheet Short Position</b>  | (1.160.285)        | -                | -                | (738.530)        | (517.367)        | (1.991.965)              | (4.408.147)       |
| <b>Off-Balance Sheet Long Position</b>   | -                  | -                | 430.571          | -                | -                | -                        | 430.571           |
| <b>Off-Balance Sheet Short Position</b>  | (377.616)          | (91.039)         | -                | (1.081)          | (6.715)          | -                        | (476.451)         |
| <b>Total Position</b>  | <b>(1.537.901)</b> | <b>538.349</b>   | <b>4.209.330</b> | <b>(739.611)</b> | <b>(524.082)</b> | <b>(1.991.965)</b>       | <b>(45.880)</b>   |

(\*) 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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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to interest rate risk (continued)**

*Average interest rates applied to monetary financial instruments: %*

|  | <b>Euro</b> | <b>US Dollar</b> | <b>Yen</b> | <b>TL</b> |
|--|-------------|------------------|------------|-----------|
| <b>Current Period</b>  |             |                  |            |           |
| <b>Assets</b>  |             |                  |            |           |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey | -           | 0,50             | -          | 3,94      |
| Banks  | 0,02        | 1,31             | -          | 10,58     |
| Financial Assets at Fair Value Through Profit and Loss   | -           | -                | -          | 8,82      |
| Money Market Placements  | -           | -                | -          | 10,34     |
| Available-for-Sale Financial Assets  | 5,59        | 4,71             | -          | 10,15     |
| Loans  | 3,47        | 5,14             | -          | 11,94     |
| Held-to-Maturity Investments   | -           | 5,59             | -          | 10,18     |
| <b>Liabilities</b>   |             |                  |            |           |
| Bank Deposits  | -           | -                | -          | -         |
| Other Deposits   | -           | -                | -          | -         |
| Money Market Borrowings  | 0,26        | 0,52             | -          | 8,00      |
| Miscellaneous Payables   | -           | -                | -          | -         |
| Marketable Securities Issued   | -           | 5,38             | -          | -         |
| Borrower Funds   | 0,25        | 0,50             | -          | 6,00      |
| Funds Provided From Other Financial Institutions   | 0,81        | 1,99             | -          | 8,61      |

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**III. Explanations related to interest rate risk (continued)**

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

|  | <b>Euro</b> | <b>US Dollar</b> | <b>Yen</b> | <b>TL</b> |
|--|-------------|------------------|------------|-----------|
| <b>Prior Period</b>  |             |                  |            |           |
| <b>Assets</b>  |             |                  |            |           |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey | -           | 0,27             | -          | 2,42      |
| Banks  | 0,53        | 0,92             | -          | -         |
| Financial Assets at Fair Value Through Profit and Loss   | -           | -                | -          | 9,28      |
| Money Market Placements  | -           | -                | -          | 12,92     |
| Available-for-Sale Financial Assets  | 5,62        | 4,87             | -          | 10,38     |
| Loans  | 3,54        | 4,70             | -          | 11,98     |
| Held-to-Maturity Investments   | -           | 6,00             | -          | 10,04     |
| <b>Liabilities</b>   |             |                  |            |           |
| Bank Deposits  | -           | -                | -          | -         |
| Other Deposits   | -           | -                | -          | -         |
| Money Market Borrowings  | 0,51        | 0,50             | -          | 10,26     |
| Miscellaneous Payables   | -           | -                | -          | -         |
| Marketable Securities Issued   | -           | 5,24             | -          | -         |
| Borrower Funds   | 0,50        | 0,50             | -          | 6,00      |
| Funds Provided From Other Financial Institutions   | 0,88        | 1,60             | -          | 9,83      |

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to stock position risk**

The Bank is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Bank. The Bank classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Bank is not affected unless the Bank sell share certificates in portfolio of available for sale.

***Equity shares risk due from banking book***

Below is the comparison table of the Bank's share certificate instruments' book value, fair value and market value.

| Current Period                      | Comparison     |            |                |
|-------------------------------------|----------------|------------|----------------|
| Share Certificate Investments       | Book Value     | Fair Value | Market Value   |
| <b>Investment in Shares-Grade A</b> | <b>206.141</b> | -          | <b>206.141</b> |
| Quoted                              | 206.141        | -          | 206.141        |
| <b>Investment in Shares-Grade B</b> | <b>68.115</b>  | -          | <b>68.115</b>  |
| Quoted                              | 68.115         | -          | 68.115         |

| Prior Period                        | Comparison     |            |                |
|-------------------------------------|----------------|------------|----------------|
| Share Certificate Investments       | Book Value     | Fair Value | Market Value   |
| <b>Investment in Shares-Grade A</b> | <b>154.965</b> | -          | <b>154.965</b> |
| Quoted                              | 154.965        | -          | 154.965        |
| <b>Investment in Shares-Grade B</b> | <b>62.695</b>  | -          | <b>62.695</b>  |
| Quoted                              | 62.695         | -          | 62.695         |

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.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IV. Explanations related to stock position risk (continued)**

*Equity shares risk due from banking book (continued)*

| Current Period                                | Realized Revenues and Losses in Period | Revaluation Value Increases |                          | Unrealized Gains and Losses |                          |                                   |
|---|--|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------------|
| Portfolio                                     |  | Total                       | Included in Core Capital | Total                       | Included in Core Capital | Included in Supplementary Capital |
| Private Equity Investments                    | -                                      | -                           | -                        | -                           | -                        | -                                 |
| Share Certificates Quoted on a Stock Exchange | -                                      | -                           | -                        | (27.009)                    | (27.009)                 | -                                 |
| Other Share Certificates                      | 114                                    | 5.189                       | 4.593                    | -                           | -                        | -                                 |
| <b>Total</b>                                  | <b>114</b>                             | <b>5.189</b>                | <b>4.593</b>             | <b>(27.009)</b>             | <b>(27.009)</b>          | <b>-</b>                          |

| Prior Period                                  | Realized Revenues and Losses in Period | Revaluation Value Increases |                          | Unrealized Gains and Losses |                          |                                   |
|---|--|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------------|
| Portfolio                                     |  | Total                       | Included in Core Capital | Total                       | Included in Core Capital | Included in Supplementary Capital |
| Private Equity Investments                    | -                                      | -                           | -                        | -                           | -                        | -                                 |
| Share Certificates Quoted on a Stock Exchange | (23.316)                               | -                           | -                        | (39.666)                    | (39.666)                 | -                                 |
| Other Share Certificates                      | -                                      | 3.880                       | 3.880                    | -                           | -                        | -                                 |
| <b>Total</b>                                  | <b>(23.316)</b>                        | <b>3.880</b>                | <b>3.880</b>             | <b>(39.666)</b>             | <b>(39.666)</b>          | <b>-</b>                          |

**V. Explanations related to the liquidity risk management and liquidity coverage ratio**

The Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The Bank does not invest into illiquid markets and instruments. The liquidity ratios are followed up and the maturity match and the coverage of liquidity need are targeted in the context of asset-liability management. Although the Bank started to perform tests to calculate liquidity risk with internal models, the risk is still followed up basically by arranging the risks with respect to (holding period) data.

For the purpose of meeting the liquidity requirement, the Bank chooses one of the four or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Bank's liquidity management is implemented by meeting all the obligations on time considering the Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances.

The difference in interest rates of assets and liabilities are on behalf of assets as can be seen from the table of interest rate risk. The inconsistency positively affects the profitability and is controlled by the management with regular reports. The Bank meets its short term liquidity requirements with repurchase agreements and inter-bank money market operations. The Bank may also use its available for sale portfolio for urgent liquidity requirement. The Bank meets its long term liquidity needs from the international institutions through borrowings. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. For the purposes of monitoring and assessing the liquidity position of the Bank's assets and liabilities, the liquidity rate is weekly calculated.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**I. Explanations related to the unconsolidated liquidity risk**

**1.a Information about the governance of unconsolidated liquidity risk management, including: risk tolerance; structure and responsibilities for unconsolidated liquidity risk management; internal unconsolidated liquidity reporting; and communication of unconsolidated liquidity risk strategy, policies and practices across business lines and with the board of director**

Bank's risk capacity for liquidity risk is determined by Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. As per The Regulation on The Calculation of Liquidity Coverage Ratio, minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits while the implementation process is identified by BRSA as setting the limits respectively as 60% and 40% for 2015 and increasing 10 pts per year until 2019 whereas applying this limit as zero per cent for development and investment banks until 2017.

As per the regulation on liquidity adequacy, development and investment banks, including TSKB, are subject to maintaining the liquidity adequacy ratios above 100% and 80% respectively for total and foreign currency limits both on weekly and monthly basis. In addition, the calculated daily over stock values regardless of maturity ratios' basic arithmetic mean includes 14 days may not be less than 7%.

Regarding it's risk appetite, in addition to legal limits, Bank also applies internal limits for monitoring and controlling the liquidity risk. In this context, it is limited by minimum 25% for the ratio of cash inflow to cash outflow, and by minimum 20% for the ratio of the difference between total inflow and total outflow to total asset 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 Bank's Treasury placements within Treasury Risk Limits, in purpose of decreasing the liquidity risk related to concentration risk.

Liquidity risk management is conducted by Treasury department in line with the strategies set by Asset and Liability Committee within The Risk Management Policies approved by Board of Directors, and is monitored through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management, monitoring the implementations and functions under The General Instruction of Asset and Liability Committee Duties and Responsibilities. The committee that constitutes of Chief Executive Officer, Executive Vice Presidents of Corporate Banking, Treasury, Budget Planning and Department Heads of Corporate Banking, Project Finance, Treasury, Development Finance Institutions, Financial Institutions and Budget Planning and Investor Relations evaluates the market, regulations, cash flow and asset and liability management on monthly basis. Budget Planning and Investor Relations Department is responsible for consolidating the reports to be submitted to Committee, organizing, having signed and archiving the Committee moments and informing the Committee members.

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**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**I. Explanations related to the unconsolidated liquidity risk (continued)**

**1.a Informations about the governance of unconsolidated liquidity risk management, including: risk tolerance; structure and responsibilities for unconsolidated liquidity risk management; internal unconsolidated liquidity reporting; and communication of unconsolidated liquidity risk strategy, policies and practices across business lines and with the board of director (continued)**

Bank cash management process connotes, within the precedence of fulfilling the future financial obligations and subsequent to credit, placement and borrowing activities, the utilization of the cash position with the highest return in line with the Bank policies and during the liquidity shortfall periods providing funding from the market with the most convenient and low-cost product. Treasury Department carries out this responsibility within the scope of Bank policies, decisions taken in Asset Liability Committees and the limits supplied by Board of Directors. In liquidity shortfall periods, Treasury Department is entitled to provide funding through money market transactions, secured lending or repo transactions. In case of funding except with those products, borrowing transactions are executed with the cooperation of Treasury and Financial Institutions Departments.

Risk Management Department reports to Board of Directors and Asset and Liability Committee on monthly basis regarding the liquidity gap, the legal limits and the internal limits assigned by Board of Directors. Also liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Committee evaluates the Bank's one year-term cash position under several assumptions and loan facility projections on monthly basis, it determines strategy for fulfilling it's financial obligations timely and utilizing the idle funds efficiently.

MIS reportings for Treasury Department are conducted by Treasury Control Unit under Budget Planning and Investor Relations Department. Within this scope Treasury Control Unit shares liquidity projections by taking into consideration liquidity position of bank for following week's and three months' cashflows on weekly basis. On monthly basis, cashflow projections on local currency and foreign currency are reported to Asset Liability Committee.

**1.b Information on the centralization degree of unconsolidated liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries**

There is no liquidity management structure requiring centralization between the Bank and it's subsidiaries.

**1.c Information on the Bank's funding strategy including the policies on funding types and variety of maturities**

Among the main funding sources of the Parent Bank there are investment bank loans, capital market transactions, syndication loans, DFIs, repo transactions and money market transactions and for minimizing the liquidity risk, diversification on maximum scale with those products within the market conditions is pursued. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by Asset Liability Committee.

**1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:**

Within the scope of the 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.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**I. Explanations related to the unconsolidated liquidity risk (continued)**

**1.d Information on unconsolidated liquidity risk mitigation techniques**

Unconsolidated Liquidity limits are defined for the purpose of monitoring and keeping the risk under predefined boundaries. The Bank monitors those limits' utilization and informs Board of Directors, Bank Senior Management and relevant departments regularly. Pursuant to that, the ratio of cash inflows to cash outflows within three months' term is limited to at least 25% whereas for the same term the ratio of the difference between total inflows and total outflows to total assets is limited to at most 20%. The base limit for Liquidity Ratio (Liquid Assets/Total Assets) is defined as 15%. Within those limits, Treasury Department performs the required transactions with the relevant cost and term composition under market conditions from the sources previously defined in Article C. Adequate limits to be utilized in a contingent case remains at the disposal before legal authority.

**1.e Information on the use of stress tests**

As part of unconsolidated liquidity stress tests, the 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 the Bank's loan portfolio due to the concentration risk are applied separately on overall portfolio of the Bank.

**1.f General information on urgent and unexpected unconsolidated liquidity situation plans**

There is a Contingency Funding Plan for the contingent periods that arises beyond the 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 Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting it's liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.



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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**2. Unconsolidated 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 |           |
|-----------------------------------|--|---|-----------|---|-----------|
| Current Period                    |  | TL+FC   | FC        | TL+FC   | FC        |
| HIGH QUALITY LIQUID ASSETS (HQLA) |  |   |           |   |           |
| 1                                 | High quality liquid assets   |   |           | 820.465   | 662.109   |
| 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                                | 409.391   | 308.808   | 333.396   | 234.402   |
| 6                                 | Operational deposits   | 20.681  | 18.089    | 5.170   | 4.522     |
| 7                                 | Non-Operational Deposits   | -   | -         | -   | -         |
| 8                                 | Other Unsecured Funding  | 388.710   | 290.719   | 328.226   | 229.880   |
| 9                                 | Secured funding  |   |           | -   | -         |
| 10                                | Other Cash Outflows  | 1.601.437   | 1.498.078 | 1.601.437   | 1.498.078 |
| 11                                | Liquidity needs related to derivatives and market valuation changes on derivatives transactions          | 1.601.437   | 1.498.078 | 1.601.437   | 1.498.078 |
| 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 | 1.920.408   | 1.307.208 | 96.020  | 65.360    |
| 15                                | Other irrevocable or conditionally revocable commitments   | 4.085.258   | 3.791.094 | 497.980   | 452.471   |
| 16                                | TOTAL CASH OUTFLOWS  |   |           | 2.528.833   | 2.250.311 |
| CASH INFLOWS                      |  |   |           |   |           |
| 17                                | Secured Lending Transactions   | -   | -         | -   | -         |
| 18                                | Unsecured Lending Transactions   | 2.466.857   | 535.904   | 2.201.425   | 397.894   |
| 19                                | Other contractual cash inflows   | 1.598.385   | 537.867   | 1.598.385   | 537.867   |
| 20                                | TOTAL CASH INFLOWS   | 4.065.242   | 1.073.771 | 3.799.810   | 935.761   |
|                                   |  |   |           | Upper limit applied amounts   |           |
| 21                                | TOTAL HQLA STOCK   |   |           | 820.465   | 662.109   |
| 22                                | TOTAL NET CASH OUTFLOWS  |   |           | 632.208   | 1.314.550 |
| 23                                | Liquidity Coverage Ratio (%)   |   |           | 132   | 52        |

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity coverage ratio (continued)**

**2. Unconsolidated 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               |
| <b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>  |   |                |   |                  |
| 1 High quality liquid assets  |   |                | 702.829   | 595.565          |
| <b>CASH OUTFLOWS</b>  |   |                |   |                  |
| 2 Retail and Customers Deposits   | -   | -              | -   | -                |
| 3 Stable deposits   | -   | -              | -   | -                |
| 4 Less stable deposits  | -   | -              | -   | -                |
| 5 Unsecured Funding other than Retail and Small Business Customers Deposits                                 | 380.642   | 312.240        | 339.682   | 272.226          |
| 6 Operational deposits  | 36.351  | 35.089         | 9.088   | 8.772            |
| 7 Non-Operational Deposits  | -   | -              | -   | -                |
| 8 Other Unsecured Funding   | 344.291   | 277.151        | 330.594   | 263.454          |
| 9 Secured funding   | -   | -              | -   | -                |
| 10 Other Cash Outflows  | 1.406.094   | 1.235.636      | 1.406.094   | 1.235.636        |
| 11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions          | 1.406.094   | 1.235.636      | 1.406.094   | 1.235.636        |
| 12 Debts related to 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 | 1.859.646   | 1.309.966      | 92.982  | 65.498           |
| 15 Other irrevocable or conditionally revocable commitments   | 4.150.603   | 3.870.174      | 582.833   | 549.546          |
| 16 <b>TOTAL CASH OUTFLOWS</b>   |   |                | <b>2.421.591</b>  | <b>2.122.906</b> |
| <b>CASH INFLOWS</b>   |   |                |   |                  |
| 17 Secured Lending Transactions   | -   | -              | -   | -                |
| 18 Unsecured Lending Transactions   | 1.450.121   | 374.545        | 1.298.288   | 276.759          |
| 19 Other contractual cash inflows   | 1.411.050   | 471.608        | 1.409.348   | 471.408          |
| 20 <b>TOTAL CASH INFLOWS</b>  | <b>2.861.171</b>  | <b>846.153</b> | <b>2.707.636</b>  | <b>748.167</b>   |
|   |   |                | Upper limit applied amounts   |                  |
| 21 <b>TOTAL HQLA STOCK</b>  |   |                | <b>702.829</b>  | <b>595.565</b>   |
| 22 <b>TOTAL NET CASH OUTFLOWS</b>   |   |                | <b>605.398</b>  | <b>1.374.739</b> |
| 23 <b>Liquidity Coverage Ratio (%)</b>  |   |                | <b>116</b>  | <b>43</b>        |

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity 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 unconsolidated Liquidity Coverage Ratio essentially. Depending on the market conditions and the 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 comprises 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 Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 64% 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 21%. 15% of the Bank's total funding is attained through repo transactions.

**3.ç Cash outflows generating derivative transactions and informations about transactions are liable to warrant completing**

The 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 on**

The funding sources of the Bank, that's main business area is development banking, are international development banks and financial institutions in general. On counterparty and product basis there is no concentration limit.

**3.e Taking into account the legal and operational liquidity transfer inhibiting factors, the needed funds and the unconsolidated liquidity risk exposure based on Banks itself, the branches in foreign countries and unconsolidated partnerships**

None.

**3.f Taken in the calculation of unconsolidated liquidity coverage ratio but not included in the disclosure template in the second paragraph and the information regarding the other cash inflows and cash outflows items which are thought to be related to the Bank's unconsolidated liquidity profile**

None.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations related to the liquidity risk management and liquidity 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             |
|--|----------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|
| <b>Current Period</b>  |                |                  |                  |                  |                  |                  |                    |                   |
| <b>Assets</b>  |                |                  |                  |                  |                  |                  |                    |                   |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey | 343.638        | 525.777          | -                | -                | -                | -                | -                  | 869.415           |
| Banks  | 17.539         | 416.703          | -                | -                | -                | -                | -                  | 434.242           |
| Financial Assets at Fair Value Through Profit and Loss   | 1.938          | 2.908            | 13.271           | 41.783           | 18.139           | 104.962          | -                  | 183.001           |
| Money Market Placements  | -              | 1.168.982        | 55.103           | -                | -                | -                | -                  | 1.224.085         |
| Financial Assets Available-for-Sale  | -              | 16.068           | 199.078          | 711.744          | 1.146.519        | 1.134.945        | 43.132             | 3.251.486         |
| Loans  | -              | 596.899          | 956.636          | 3.252.127        | 7.291.195        | 3.255.123        | -                  | 15.351.980        |
| Held-to-Maturity Investments   | -              | -                | -                | -                | 204.933          | 703.158          | -                  | 908.091           |
| Other Assets   | -              | -                | 469              | 469              | 28.727           | 13.773           | 604.540            | 647.978           |
| <b>Total Assets</b>  | <b>363.115</b> | <b>2.727.337</b> | <b>1.224.557</b> | <b>4.006.123</b> | <b>8.689.513</b> | <b>5.211.961</b> | <b>647.672</b>     | <b>22.870.278</b> |
| <b>Liabilities</b>   |                |                  |                  |                  |                  |                  |                    |                   |
| Bank Deposits  | -              | -                | -                | -                | -                | -                | -                  | -                 |
| Other Deposits   | -              | -                | -                | -                | -                | -                | -                  | -                 |
| Funds Provided from Other Financial Institutions   | -              | 445.457          | 403.343          | 1.885.341        | 5.538.361        | 5.933.093        | -                  | 14.205.595        |
| Money Market Borrowings  | -              | 2.143.936        | 68               | -                | -                | -                | -                  | 2.144.004         |
| Securities Issued  | -              | -                | -                | -                | 3.058.562        | -                | -                  | 3.058.562         |
| Miscellaneous Payables   | -              | -                | -                | -                | -                | -                | 128.395            | 128.395           |
| Other Liabilities (**)   | -              | 8.462            | 11.138           | 41.639           | 63.559           | 66.893           | 3.142.031          | 3.333.722         |
| <b>Total Liabilities</b>   | <b>-</b>       | <b>2.597.855</b> | <b>414.549</b>   | <b>1.926.980</b> | <b>8.660.482</b> | <b>5.999.986</b> | <b>3.270.426</b>   | <b>22.870.278</b> |
| <b>Liquidity Gap</b>   | <b>363.115</b> | <b>129.482</b>   | <b>810.008</b>   | <b>2.079.143</b> | <b>29.031</b>    | <b>(788.025)</b> | <b>(2.622.754)</b> | <b>-</b>          |
| <b>Net Off-balance sheet Position</b>  | <b>-</b>       | <b>(8.618)</b>   | <b>(5.609)</b>   | <b>157</b>       | <b>(9.476)</b>   | <b>6.746</b>     | <b>-</b>           | <b>(16.800)</b>   |
| Financial Derivative Assets  | -              | 1.215.190        | 932.711          | 1.581.909        | 5.889.191        | 3.331.716        | -                  | 12.950.717        |
| Financial Derivative Liabilities   | -              | 1.223.808        | 938.320          | 1.581.752        | 5.898.667        | 3.324.970        | -                  | 12.967.517        |
| Non-cash Loans (***)   | -              | 33.341           | 30.161           | 45.822           | 375.663          | 627.753          | 494.209            | 1.606.949         |
| <b>Prior Period</b>  |                |                  |                  |                  |                  |                  |                    |                   |
| Total Assets   | 255.844        | 2.572.887        | 908.645          | 3.121.221        | 8.242.859        | 5.008.098        | 625.031            | 20.734.585        |
| Total Liabilities  | -              | 2.764.425        | 200.807          | 1.815.908        | 7.231.626        | 5.848.980        | 2.872.839          | 20.734.585        |
| <b>Liquidity Gap</b>   | <b>255.844</b> | <b>(191.538)</b> | <b>707.838</b>   | <b>1.305.313</b> | <b>1.011.233</b> | <b>(840.882)</b> | <b>(2.247.808)</b> | <b>-</b>          |
| <b>Net Off-balance sheet Position</b>  | <b>-</b>       | <b>(4.099)</b>   | <b>(9.660)</b>   | <b>(18.966)</b>  | <b>(15.589)</b>  | <b>2.434</b>     | <b>-</b>           | <b>(45.880)</b>   |
| Financial Derivative Assets  | -              | 1.517.748        | 466.271          | 1.261.331        | 3.511.988        | 3.225.292        | -                  | 9.982.630         |
| Financial Derivative Liabilities   | -              | 1.521.847        | 475.931          | 1.280.297        | 3.527.577        | 3.222.858        | -                  | 10.028.510        |
| Non-cash Loans (***)   | -              | 7.770            | 6.596            | 173.789          | 707.238          | 586.622          | 300.651            | 1.782.666         |

(\*) 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 5.196 are presented in "Other Liabilities" within 1-month maturity column.

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

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations related to leverage ratio**

**a) Information on subjects that causes difference in leverage ratio between current and prior periods**

As of 30 September 2016, leverage ratio of the Bank calculated from the arithmetic average of the three months is 11,02%. Leverage ratio is almost on the same level in the current and prior period.

**b) Unconsolidated Leverage Ratio**

|           |  | <b>Prior Period(*)</b> | <b>Current Period(*)</b> |
|-----------|--|------------------------|--------------------------|
|           | <b>Balance sheet Assets</b>  |                        |                          |
|           | Balance sheet assets (excluding derivative financial assets and credit derivatives, including                  |                        |                          |
| <b>1</b>  | collaterals)   | 19.872.393             | 22.159.546               |
| <b>2</b>  | (Assets deducted from Core capital)  | (127.184)              | (53.423)                 |
| <b>3</b>  | Total risk amount of balance sheet assets (sum of lines 1 and 2)   | <b>19.745.209</b>      | <b>22.106.123</b>        |
|           | <b>Derivative financial assets and credit derivatives</b>  |                        |                          |
| <b>4</b>  | Cost of replenishment for derivative financial assets and credit derivatives                                   | 199.076                | 221.395                  |
| <b>5</b>  | Potential credit risk amount of derivative financial assets and credit derivatives                             | 132.198                | 183.888                  |
| <b>6</b>  | Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)                 | <b>331.274</b>         | <b>405.283</b>           |
|           | <b>Financing transactions secured by marketable security or commodity</b>                                      |                        |                          |
| <b>7</b>  | Risk amount of financing transactions secured by marketable security or commodity                              | 384.893                | 374.140                  |
| <b>8</b>  | Risk amount arising from intermediary transactions   | -                      | -                        |
| <b>9</b>  | Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8) | <b>384.893</b>         | <b>374.140</b>           |
|           | <b>Off-balance sheet transactions</b>  |                        |                          |
| <b>10</b> | Gross notional amount of off-balance sheet transactions  | 6.053.628              | 6.005.399                |
| <b>11</b> | (Correction amount due to multiplication with credit conversion rates)   | (3.342.558)            | (3.252.033)              |
| <b>12</b> | Total risk of off-balance sheet transactions (sum of lines 10 and 11)  | <b>2.711.070</b>       | <b>2.753.366</b>         |
|           | <b>Capital and total risk</b>  |                        |                          |
| <b>13</b> | Core Capital   | 2.444.127              | 2.826.323                |
| <b>14</b> | Total risk amount (sum of lines 3, 6, 9 and 12)  | 23.172.446             | 25.638.912               |
|           | <b>Leverage ratio</b>  |                        |                          |
| <b>15</b> | <b>Leverage ratio</b>  | <b>10,55%</b>          | <b>11,02%</b>            |

(\*) Arithmetic average of the last three months in the related period.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VII. Explanations related to Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of 30 September 2016:

- RWA flow statements of credit risk exposures under IRB (Internal Rating Based) approach
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

|    |   | Risk Weighted Amount |                   | Minimum Capital Requirement |
|----|---|----------------------|-------------------|-----------------------------|
|    |   | Current Period       | Prior Period      | Current Period              |
| 1  | Credit risk (excluding counterparty credit risk)                                      | 17.707.136           | 16.017.353        | 1.416.571                   |
| 2  | Standardised approach   | 17.707.136           | 16.017.353        | 1.416.571                   |
| 3  | Internal rating-based approach  | -                    | -                 | -                           |
| 4  | Counterparty credit risk  | 613.653              | 348.228           | 49.092                      |
| 5  | Standardised approach for counterparty credit risk                                    | 613.653              | 348.228           | 49.092                      |
| 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   | 498.338              | 370.250           | 39.867                      |
| 17 | Standardised approach   | 498.338              | 370.250           | 39.867                      |
| 18 | Internal model approaches   | -                    | -                 | -                           |
| 19 | Operational risk  | 1.070.988            | 949.550           | 85.679                      |
| 20 | Basic indicator approach  | 1.070.988            | 949.550           | 85.679                      |
| 21 | Standart 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 | <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>   | <b>19.890.115</b>    | <b>17.685.382</b> | <b>1.591.209</b>            |

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and disclosures related to the assets**

**1.a Information on cash and balances with the Central Bank of Turkey:**

|  | Current Period |                | Prior Period  |                |
|--|----------------|----------------|---------------|----------------|
|  | TL             | FC             | TL            | FC             |
| Cash in TL/Foreign Currency              | 21             | -              | 12            | -              |
| Balances with the Central Bank of Turkey | 19.091         | 850.303        | 40.426        | 770.676        |
| Other                                    | -              | -              | -             | -              |
| <b>Total</b>                             | <b>19.112</b>  | <b>850.303</b> | <b>40.438</b> | <b>770.676</b> |

**Information related to the account of the Central Bank of Turkey:**

|                              | Current Period |                | Prior Period  |                |
|------------------------------|----------------|----------------|---------------|----------------|
|                              | TL             | FC             | TL            | FC             |
| Unrestricted demand deposits | 19.091         | 3.629          | 40.426        | 3.437          |
| Unrestricted time deposits   | -              | -              | -             | -              |
| Restricted time deposits     | -              | -              | -             | -              |
| Other (*)                    | -              | 846.674        | -             | 767.239        |
| <b>Total</b>                 | <b>19.091</b>  | <b>850.303</b> | <b>40.426</b> | <b>770.676</b> |

(\*) Deposits at Central Bank of Turkey held as reserve requirement.

As per the Communiqué numbered 2005/1 “Reserve Deposits” of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

In accordance with the regulation issued at 27 January 2015, CBRT has 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 30 September 2016 are presented in table below:

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

| Reserve Rates for FC Liabilities (%)                      |  |                                       |
|---|--|---------------------------------------|
| Original Maturity   | Reserve Ratio                          | Reserve Ratio                         |
|   | If the fund borrowed Before 28.08.2015 | If the fund borrowed After 28.08.2015 |
| Other liabilities until 1 year maturity (1 year included) | 20                                     | 25                                    |
| Other liabilities until 2 year maturity (2 year included) | 14                                     | 20                                    |
| Other liabilities until 3 year maturity (3 year included) | 8                                      | 15                                    |
| Other liabilities until 5 year maturity (5 year included) | 7                                      | 7                                     |
| Other liabilities more than 5 year maturity               | 6                                      | 5                                     |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**2.a Information on financial assets at fair value through profit and loss:**

**2.a.1 Trading securities:**

**2.a.1.a Trading securities given as collateral or blockage:**

As of the reporting date, the Bank has no trading securities given as collateral or blockage (31 December 2015: None).

**2.a.1.b Trading securities subject to repurchase agreements:**

As of the reporting date, the Bank has no trading securities subject to repurchase agreements (31 December 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 Bank 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 Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2015: None).

**2.b Positive differences table related to derivative financial assets held-for-trading:**

| Held for Trading Financial Derivative Instruments | Current Period |                | Prior Period |                |
|---|----------------|----------------|--------------|----------------|
|   | TL             | FC             | TL           | FC             |
| Forward Transactions                              | 3.443          | 2.747          | 769          | 2.606          |
| Swap Transactions                                 | 13.001         | 109.282        | 8.427        | 83.584         |
| Futures Transactions                              | -              | -              | -            | -              |
| Options   | -              | 47.158         | -            | 73.596         |
| Other   | -              | -              | -            | -              |
| <b>Total</b>                                      | <b>16.444</b>  | <b>159.187</b> | <b>9.196</b> | <b>159.786</b> |

**3. Information on banks and foreign banks account**

**3.a Information on banks:**

|                                 | Current Period |                | Prior Period |                |
|---------------------------------|----------------|----------------|--------------|----------------|
|                                 | TL             | FC             | TL           | FC             |
| <b>Banks</b>                    |                |                |              |                |
| Domestic                        | 123.625        | 249.110        | 324          | 496.997        |
| Foreign                         | 4.000          | 57.507         | -            | 37.508         |
| Branches and head office abroad | -              | -              | -            | -              |
| <b>Total</b>                    | <b>127.625</b> | <b>306.617</b> | <b>324</b>   | <b>534.505</b> |



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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**3. Information on banks and foreign banks account (continued)**

**3.b Information on foreign banks:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**4. Information on available-for-sale financial assets**

**4.a.1 Available-for-sale financial assets subject to repurchase agreements:**

|                                      | Current Period   |               | Prior Period     |               |
|--------------------------------------|------------------|---------------|------------------|---------------|
|                                      | TL               | FC            | TL               | FC            |
| Government bonds                     | 1.257.909        | -             | 1.507.545        | -             |
| Treasury bills                       | -                | -             | -                | -             |
| Other debt securities                | -                | 95.967        | -                | 76.662        |
| Bank bonds and bank guaranteed bonds | -                | -             | -                | -             |
| Asset backed securities              | -                | -             | -                | -             |
| Other                                | -                | -             | -                | -             |
| <b>Total</b>                         | <b>1.257.909</b> | <b>95.967</b> | <b>1.507.545</b> | <b>76.662</b> |

**4.a.2 Information on available-for-sale financial assets given as collateral or blockage:**

All available for sale financial assets given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.666.007 (31 December 2015: TL 737.201).

|   | Current Period |                | Prior Period   |                |
|---|----------------|----------------|----------------|----------------|
|   | TL             | FC             | TL             | FC             |
| Share certificates                                    | -              | -              | -              | -              |
| Bond, treasury bill and similar investment securities | 520.859        | 645.148        | 259.298        | 477.903        |
| Other   | -              | -              | -              | -              |
| <b>Total</b>  | <b>520.859</b> | <b>645.148</b> | <b>259.298</b> | <b>477.903</b> |

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

Available for sale financial assets comprised of government bonds 64,36%, Eurobonds 26,32% and shares and other securities 9,32% (31 December 2015: government bonds 60,36%, Eurobonds 27,98% and shares and other securities 11,66%).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

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

**4.c Information on available for sale financial assets portfolio:**

|                               | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------|-----------------------|---------------------|
| Debt securities               | 3.224.500             | 2.967.995           |
| Quoted on a stock exchange    | 2.347.679             | 2.106.882           |
| Unquoted                      | 876.821               | 861.113             |
| Share certificates            | 52.342                | 50.286              |
| Quoted on a stock exchange    | 28.955                | 27.737              |
| Unquoted                      | 23.387                | 22.549              |
| Other Impairment provision(-) | (25.356)              | (47.312)            |
| <b>Total</b>                  | <b>3.251.486</b>      | <b>2.970.969</b>    |

The net book value of unquoted available for sale share certificates is TL 18.502 (31 December 2015: TL 14.147).

**5. Information on loans**

**5.a Information on all types of loans and advances given to shareholders and employees of the Bank:**

|  | <b>Current Period</b> |                       | <b>Prior Period</b> |                       |
|--|-----------------------|-----------------------|---------------------|-----------------------|
|  | <b>Cash Loans</b>     | <b>Non-Cash Loans</b> | <b>Cash Loans</b>   | <b>Non-Cash Loans</b> |
| Direct loans granted to shareholders   | 36.991                | -                     | 84.840              | 117.412               |
| Corporate shareholders                 | 36.991                | -                     | 84.840              | 117.412               |
| Real person shareholders               | -                     | -                     | -                   | -                     |
| Indirect loans granted to shareholders | -                     | -                     | -                   | -                     |
| Loans granted to employees             | 215                   | -                     | 228                 | -                     |
| <b>Total</b>                           | <b>37.206</b>         | <b>-</b>              | <b>85.068</b>       | <b>117.412</b>        |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

- I. Explanations and disclosures related to the assets (continued)**
- 5. Information 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           | 15.181.393                           | 44.317  | -        | 170.587  | 123.747   | -        |
| Corporation loans               | 4.467.830                            | -   | -        | 7.704  | 7.704   | -        |
| Export loans                    | 118.364                              | -   | -        | 38.746   | 38.746  | -        |
| Import loans                    | -                                    | -   | -        | -  | -   | -        |
| Loans given to financial sector | 2.436.647                            | -   | -        | -  | -   | -        |
| Consumer loans                  | 215                                  | -   | -        | -  | -   | -        |
| Credit cards                    | -                                    | -   | -        | -  | -   | -        |
| Other                           | 8.158.337                            | 44.317  | -        | 124.137  | 77.297  | -        |
| Specialized loans               | -                                    | -   | -        | -  | -   | -        |
| Other receivables               | -                                    | -   | -        | -  | -   | -        |
| <b>Total</b>                    | <b>15.181.393</b>                    | <b>44.317</b>   | <b>-</b> | <b>170.587</b>                                     | <b>123.747</b>  | <b>-</b> |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information 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                    |               |
| 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           | 13.530.744                           | 155.782   | -        | 144.735  | 54.275  | 64.267        |
| Corporation loans               | 4.441.986                            | -   | -        | 8.867  | 8.867   | -             |
| Export loans                    | 115.914                              | -   | -        | -  | -   | -             |
| Import loans                    | -                                    | -   | -        | -  | -   | -             |
| Loans given to financial sector | 1.677.116                            | -   | -        | -  | -   | -             |
| Consumer loans                  | 228                                  | -   | -        | -  | -   | -             |
| Credit cards                    | -                                    | -   | -        | -  | -   | -             |
| Other                           | 7.295.500                            | 155.782   | -        | 135.868  | 45.408  | 64.267        |
| Specialized loans               | -                                    | -   | -        | -  | -   | -             |
| Other receivables               | -                                    | -   | -        | -  | -   | -             |
| <b>Total</b>                    | <b>13.530.744</b>                    | <b>155.782</b>  | <b>-</b> | <b>144.735</b>                                     | <b>54.275</b>   | <b>64.267</b> |

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information on loans (continued)**

**5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):**

| <b>Current Period</b>  | <b>Standard Loans and Other Receivables</b> | <b>Loans and Other Receivables Under Close Monitoring</b> |
|--|---|---|
| <b>Number of amendments related to the extension of the payment plan</b> |   |   |
| Extended for 1 or 2 times  | 44.317                                      | 120.888   |
| Extended for 3-4 or 5 times  | -   | 2.859   |
| Extended for more than 5 times   | -   | -   |

| <b>Prior Period</b>  | <b>Standard Loans and Other Receivables</b> | <b>Loans and Other Receivables Under Close Monitoring</b> |
|--|---|---|
| <b>Number of amendments related to the extension of the payment plan</b> |   |   |
| Extended for 1 or 2 times  | 155.782                                     | 54.275  |
| Extended for 3-4 or 5 times  | -   | -   |
| Extended for more than 5 times   | -   | -   |

| <b>Current Period</b>                                      | <b>Standard Loans and Other Receivables</b> | <b>Loans and Other Receivables Under Close Monitoring</b> |
|--|---|---|
| <b>The time extended via the amendment on payment plan</b> |   |   |
| 0-6 Months   | -   | -   |
| 6 Months -12 Months  | -   | -   |
| 1-2 Years  | -   | 29.307  |
| 2-5 Years  | 44.317                                      | 81.133  |
| 5 Years  | -   | 13.307  |

| <b>Prior Period</b>  | <b>Standard Loans and Other Receivables</b> | <b>Loans and Other Receivables Under Close Monitoring</b> |
|--|---|---|
| <b>The time extended via the amendment on payment plan</b> |   |   |
| 0-6 Months   | -   | -   |
| 6 Months -12 Months  | -   | -   |
| 1-2 Years  | -   | 40.472  |
| 2-5 Years  | 76.976                                      | -   |
| 5 Years  | 78.806                                      | 13.803  |

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information 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 | 1.176.448                            | -                           | -  | -                           |
| Non-specialized loans                  | 1.176.448                            | -                           | -  | -                           |
| Specialized loans                      | -                                    | -                           | -  | -                           |
| Other receivables                      | -                                    | -                           | -  | -                           |
| Medium and Long-term loans             | 14.004.945                           | 44.317                      | 170.587  | 123.747                     |
| Non-specialized loans                  | 14.004.945                           | 44.317                      | 170.587  | 123.747                     |
| 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 | 618.693                              | -                           | -  | -                           |
| Non-specialized loans                  | 618.693                              | -                           | -  | -                           |
| Specialized loans                      | -                                    | -                           | -  | -                           |
| Other receivables                      | -                                    | -                           | -  | -                           |
| Medium and Long-term loans             | 12.912.051                           | 155.782                     | 144.735  | 118.542                     |
| Non-specialized loans                  | 12.912.051                           | 155.782                     | 144.735  | 118.542                     |
| Specialized loans                      | -                                    | -                           | -  | -                           |
| Other receivables                      | -                                    | -                           | -  | -                           |

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information on loans (continued)**

**5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

| <b>Current Period</b>                | <b>Short Term</b> | <b>Medium and Long Term</b> | <b>Total</b> |
|--------------------------------------|-------------------|-----------------------------|--------------|
| 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                   | 31                | 184                         | 215          |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | 31                | 184                         | 215          |
| Other                                | -                 | -                           | -            |
| Personnel Loans- Indexed to FC       | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Personnel Loans-FC                   | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Personnel Credit Cards-TL            | -                 | -                           | -            |
| With Instalments                     | -                 | -                           | -            |
| Without Instalments                  | -                 | -                           | -            |
| Personnel Credit Cards-FC            | -                 | -                           | -            |
| With Instalments                     | -                 | -                           | -            |
| Without Instalments                  | -                 | -                           | -            |
| Overdraft Accounts-TL (Real Persons) | -                 | -                           | -            |
| Overdraft Accounts-FC (Real Persons) | -                 | -                           | -            |
| <b>Total</b>                         | <b>31</b>         | <b>184</b>                  | <b>215</b>   |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information on loans (continued)**

**5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (continued):**

| <b>Prior Period</b>                  | <b>Short Term</b> | <b>Medium and Long Term</b> | <b>Total</b> |
|--------------------------------------|-------------------|-----------------------------|--------------|
| Consumer Loans-TL                    | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Consumer Loans –Indexed to FC        | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Consumer Loans-FC                    | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Individual Credit Cards-TL           | -                 | -                           | -            |
| With Instalments                     | -                 | -                           | -            |
| Without Instalments                  | -                 | -                           | -            |
| Individual Credit Cards-FC           | -                 | -                           | -            |
| With Instalments                     | -                 | -                           | -            |
| Without Instalments                  | -                 | -                           | -            |
| Personnel Loans-TL                   | 55                | 173                         | 228          |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | 55                | 173                         | 228          |
| Other                                | -                 | -                           | -            |
| Personnel Loans- Indexed to FC       | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Personnel Loans-FC                   | -                 | -                           | -            |
| Housing Loans                        | -                 | -                           | -            |
| Car Loans                            | -                 | -                           | -            |
| General Purpose Loans                | -                 | -                           | -            |
| Other                                | -                 | -                           | -            |
| Personnel Credit Cards-TL            | -                 | -                           | -            |
| With Instalments                     | -                 | -                           | -            |
| Without Instalments                  | -                 | -                           | -            |
| Personnel Credit Cards-FC            | -                 | -                           | -            |
| With Instalments                     | -                 | -                           | -            |
| Without Instalments                  | -                 | -                           | -            |
| Overdraft Accounts-TL (Real Persons) | -                 | -                           | -            |
| Overdraft Accounts-FC (Real Persons) | -                 | -                           | -            |
| <b>Total</b>                         | <b>55</b>         | <b>173</b>                  | <b>228</b>   |



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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information on loans (continued)**

**5.e Information on commercial loans with instalments and corporate credit cards:**

The Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2015: None).

**5.f Loans according to borrowers:**

|              | <b>Current Period</b> | <b>Prior Period</b> |
|--------------|-----------------------|---------------------|
| Public       | 149.581               | 32.171              |
| Private      | 15.202.399            | 13.643.308          |
| <b>Total</b> | <b>15.351.980</b>     | <b>13.675.479</b>   |

**5.g Domestic and foreign loans:**

|                | <b>Current Period</b> | <b>Prior Period</b> |
|----------------|-----------------------|---------------------|
| Domestic loans | 15.284.529            | 13.588.730          |
| Foreign loans  | 67.451                | 86.749              |
| <b>Total</b>   | <b>15.351.980</b>     | <b>13.675.479</b>   |

**5.h Loans granted to subsidiaries and associates:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Direct loans granted to subsidiaries and associates   | 277.438               | 451.705             |
| Indirect loans granted to subsidiaries and associates | -                     | -                   |
| <b>Total</b>  | <b>277.438</b>        | <b>451.705</b>      |

**5.i Specific provisions provided against loans:**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Loans and receivables with limited collectability  | 3.075                 | 3.603               |
| Loans and receivables with doubtful collectability | -                     | -                   |
| Uncollectible loans and receivables                | 45.264                | 55.802              |
| <b>Total</b>                                       | <b>48.339</b>         | <b>59.405</b>       |

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

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

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

**5. Information 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:**

|  | <b>III. Group</b>                                 | <b>IV. Group</b>                                   | <b>V. Group</b>                     |
|--|---|--|-------------------------------------|
|  | Loans and Receivables With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| <b>Current Period</b>                    |   |  |                                     |
| (Gross amounts before provisions)        | -   | -  | 10.612                              |
| Restructured loans and other receivables | -   | -  | -                                   |
| Rescheduled loans and other receivables  | -   | -  | 10.612                              |
| <b>Prior Period</b>                      |   |  |                                     |
| (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:**

|   | <b>III. Group</b>                                 | <b>IV. Group</b>                                   | <b>V. Group</b>                     |
|---|---|--|-------------------------------------|
|   | Loans and Receivables With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| <b>Current Period</b>                                       |   |  |                                     |
| <b>Prior period end balance</b>                             | <b>3.603</b>                                      | -  | <b>55.802</b>                       |
| Additions (+)   | 2   | -  | 1.590                               |
| Transfers from other categories of non-performing Loans (+) | -   | -  | -                                   |
| Transfers to other categories of non-performing loans (-)   | -   | -  | -                                   |
| Collections (-)   | (530)   | -  | (12.128)                            |
| Write-offs (-)  | -   | -  | -                                   |
| Corporate and Commercial Loans                              | -   | -  | -                                   |
| Retail Loans  | -   | -  | -                                   |
| Credit Cards  | -   | -  | -                                   |
| Other   | -   | -  | -                                   |
| <b>Current period end balance</b>                           | <b>3.075</b>                                      | -  | <b>45.264</b>                       |
| Specific provision (-)                                      | (3.075)   | -  | (45.264)                            |
| <b>Net Balances on Balance Sheet</b>                        | -   | -  | -                                   |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information on loans (continued)**

**5.j Information on non-performing loans (net) (continued):**

**5.j.2 Movement of non-performing loans (continued):**

|  | <b>III. Group</b>                                       | <b>IV. Group</b>  | <b>V. Group</b>                           |
|--|---|---|---|
|  | Loans and Receivables<br>With Limited<br>Collectability | Loans and<br>Receivables With<br>Doubtful<br>Collectability | Uncollectible<br>Loans and<br>Receivables |
| <b>Prior Period</b>  |   |   |   |
| <b>Prior period end balance</b>                                | <b>4.456</b>  | <b>-</b>  | <b>12.480</b>                             |
| Additions (+)  | 43.354  | -   | 38  |
| Transfers from other categories of non-performing<br>Loans (+) | -   | 43.334  | 43.334                                    |
| Transfers to other categories of non-performing loans (-)      | (43.334)  | (43.334)  | -   |
| Collections (-)  | (844)   | -   | (50)                                      |
| Write-offs (-)   | (29)  | -   | -   |
| Corporate and Commercial Loans                                 | (29)  | -   | -   |
| Retail Loans   | -   | -   | -   |
| Credit Cards   | -   | -   | -   |
| Other  | -   | -   | -   |
| <b>Current period end balance</b>                              | <b>3.603</b>  | <b>-</b>  | <b>55.802</b>                             |
| Specific provision (-)   | (3.603)   | -   | (55.802)                                  |
| <b>Net Balances on Balance Sheet</b>                           | <b>-</b>  | <b>-</b>  | <b>-</b>                                  |

**5.j.3 Information on foreign currency non-performing loans and other receivables:**

|                                     | <b>III. Group</b>                                    | <b>IV. Group</b>   | <b>V. Group</b>                        |
|-------------------------------------|--|--|--|
|                                     | Loans and Receivables With<br>Limited Collectability | Loans and Receivables<br>With Doubtful<br>Collectability | Uncollectible Loans and<br>Receivables |
| <b>Current Period</b>               |  |  |  |
| Period End Balance                  | 1.362  | -  | -                                      |
| Specific Provision (-)              | (1.362)  | -  | -                                      |
| <b>Net Balance on Balance Sheet</b> | <b>-</b>   | <b>-</b>   | <b>-</b>                               |
| <b>Prior Period</b>                 |  |  |  |
| Period End Balance                  | 1.651  | -  | -                                      |
| Specific Provision (-)              | (1.651)  | -  | -                                      |
| <b>Net Balance on Balance Sheet</b> | <b>-</b>   | <b>-</b>   | <b>-</b>                               |

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**5. Information 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:**

|  | <b>III. Group</b>                                       | <b>IV. Group</b>                          | <b>V. Group</b>                        |
|--|---|---|--|
|  | Loans and Receivables<br>With Limited<br>Collectability | Loans and<br>Receivables With<br>Doubtful | Uncollectible Loans and<br>Receivables |
| <b>Current Period (Net)</b>                      |   |   |  |
| Loans to Real Persons and Legal Entities (Gross) | 3.075   | -   | 45.264                                 |
| Specific Provision Amount (-)                    | (3.075)   | -   | (45.264)                               |
| Loans to Real Persons and Legal Entities (Net)   | -   | -   | -                                      |
| Banks (Gross)                                    | -   | -   | -                                      |
| Specific Provision Amount (-)                    | -   | -   | -                                      |
| Banks (Net)                                      | -   | -   | -                                      |
| Other Loans and Receivables (Gross)              | -   | -   | -                                      |
| Specific Provision Amount (-)                    | -   | -   | -                                      |
| Other Loans and Receivables (Net)                | -   | -   | -                                      |
| <b>Prior Period (Net)</b>                        |   |   |  |
| Loans to Real Persons and Legal Entities (Gross) | 3.603   | -   | 55.802                                 |
| Specific Provision Amount (-)                    | (3.603)   | -   | (55.802)                               |
| Loans to Real Persons and Legal Entities (Net)   | -   | -   | -                                      |
| Banks (Gross)                                    | -   | -   | -                                      |
| Specific Provision Amount (-)                    | -   | -   | -                                      |
| Banks (Net)                                      | -   | -   | -                                      |
| Other Loans and Receivables (Gross)              | -   | -   | -                                      |
| Specific Provision Amount (-)                    | -   | -   | -                                      |
| Other Loans and Receivables (Net)                | -   | -   | -                                      |

**5.k Main principles of liquidating loans and receivables:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**5.l Explanations about the write-off policies from the assets:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**5.m Other explanations and disclosures:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the 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           | -              | -        | -              | -        |
| Investments Subject to Repurchase Agreements | 749.688        | -        | 714.229        | -        |
| <b>Total</b>                                 | <b>749.688</b> | <b>-</b> | <b>714.229</b> | <b>-</b> |

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

|                             | Current Period | Prior Period   |
|-----------------------------|----------------|----------------|
| Government Bonds            | 908.091        | 872.602        |
| Treasury Bills              | -              | -              |
| Other Government Securities | -              | -              |
| <b>Total</b>                | <b>908.091</b> | <b>872.602</b> |

**6.3 Information on held-to-maturity investments:**

|                                   | Current Period | Prior Period   |
|-----------------------------------|----------------|----------------|
| <b>Debt Securities</b>            |                |                |
| Quoted at stock Exchange          | 750.812        | 715.194        |
| Unquoted at stock Exchange        | 157.964        | 157.408        |
| <b>Value Increase/ (Decrease)</b> | <b>(685)</b>   | <b>-</b>       |
| <b>Total</b>                      | <b>908.091</b> | <b>872.602</b> |

**6.4 Movement of held to maturity investments within the year:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Balances at Beginning of Period</b>          | <b>872.602</b> | <b>-</b>       |
| Foreign currency differences on monetary assets | 4.547          | (789)          |
| Purchases during the period (*)                 | -              | 851.290        |
| Cash obtained from sale and amortization        | (1.596)        | (5.832)        |
| Value changes                                   | -              | -              |
| Interest income accruals                        | 32.538         | 27.933         |
| <b>Balances at End of Period</b>                | <b>908.091</b> | <b>872.602</b> |

(\*) 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 "government bond with CPI index" to investments in available-for-sale portfolio in the prior period.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**7. Information on associates (net)**

**7.a.1 Information on associates:**

|   | Title  | Address<br>(City/ Country) | Bank's share<br>percentage-If<br>different voting<br>percentage (%) | Bank's risk group<br>share percentage<br>(%) |
|---|--|----------------------------|---|--|
| 1 | İş Faktoring A.Ş. (İş Faktoring)                         | Istanbul/Turkey            | 21,75   | 100,00                                       |
| 2 | İş Finansal Kiralama A.Ş. (İş Finansal)                  | Istanbul/Turkey            | 28,56   | 57,33  |
| 3 | İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim) | Istanbul/Turkey            | 16,67   | 57,95  |
| 4 | Terme Metal Sanayi ve Ticaret A.Ş. (Terme)               | Istanbul/Turkey            | 17,83   | 18,76  |
| 5 | Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)   | Izmir/ Turkey              | 10,05   | 20,10  |

|   |              | Total<br>Assets | Equity  | Total<br>Fixed<br>Assets | Interest<br>Income | Income<br>from<br>Marketable<br>Securities<br>Portfolio | Current<br>Period Profit<br>/Loss | Prior Period<br>Profit/Loss | Fair<br>Value |
|---|--------------|-----------------|---------|--------------------------|--------------------|---|-----------------------------------|-----------------------------|---------------|
| 1 | İş Faktoring | 2.453.338       | 118.326 | 584                      | 113.354            | -   | 24.418                            | 20.226                      | -             |
| 2 | İş Finansal  | 3.999.655       | 733.010 | 21.090                   | 212.279            | -   | 61.417                            | 50.403                      | 176.075       |
| 3 | İş Girişim   | 260.400         | 258.598 | 127                      | 8.619              | 6.325   | 3.497                             | 3.625                       | 16.822        |
| 4 | Terme (*)    | 15.161          | 3.672   | 244                      | 244                | -   | 21                                | 56                          | -             |
| 5 | Ege Tarım    | 11.253          | 11.096  | 8.078                    | 118                | -   | (412)                             | (172)                       | -             |

(\*) Represents for the period ended 30 June 2016 financial statements. Prior year profit/loss is obtained from 30 June 2015 financial statements.

**7.a.2 Information on associates:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Balance at the Beginning of the Period</b> | <b>156.008</b> | <b>161.038</b> |
| Movements During the Period                   | 50.326         | (5.030)        |
| Purchases                                     | -              | -              |
| Bonus Shares Obtained                         | 19.992         | 24.760         |
| Current Year Share of Profit                  | -              | -              |
| Sales   | -              | -              |
| Revaluation Increase                          | 30.334         | -              |
| Provision for Impairment                      | -              | (29.790)       |
| <b>Balance at the End of the Period</b>       | <b>206.334</b> | <b>156.008</b> |
| Capital Commitments                           | -              | -              |
| Share Percentage at the End of the Period (%) | -              | -              |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

*Information on associates sold in the current period*

In the current period the Bank has not disposed any associates.

*Information on associates purchased in the current period*

In the current period the Bank has not purchased any associates.

**7.a.3 Sectoral information of associates subject to consolidation and the related carrying amounts in the legal books:**

|                             | <b>Current Period</b> | <b>Prior Period</b> |
|-----------------------------|-----------------------|---------------------|
| Banks                       | -                     | -                   |
| Insurance Companies         | -                     | -                   |
| Factoring Companies         | 11.882                | 11.882              |
| Leasing Companies           | 176.075               | 122.527             |
| Financial Service Companies | -                     | -                   |
| Other Financial Associates  | 16.822                | 20.044              |

**7.a.4 Information on associates subject to consolidation quoted on stock market:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Associates quoted on domestic stock exchanges | 192.897               | 142.571             |
| Associates quoted on foreign stock exchanges  | -                     | -                   |

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**8. Information on subsidiaries (net)**

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

| <b>Current Period</b>                       | <b>YF (*)</b> | <b>TSKB GYO (*)</b> |
|---|---------------|---------------------|
| <b>CORE CAPITAL</b>                         |               |                     |
| Paid-in Capital                             | 63.504        | 150.000             |
| Share Premium                               | -             | 593                 |
| Legal Reserves                              | 2.514         | 8.787               |
| Other Comprehensive Income according to TAS | (1.089)       | (17)                |
| Current and Prior Years' Profit/Loss        | 2.849         | 48.311              |
| Leasehold Improvements (-)                  | (928)         | -                   |
| Intangible Assets (-)                       | (1.134)       | (16)                |
| <b>Total Core Capital</b>                   | <b>65.716</b> | <b>207.658</b>      |
| <b>Supplementary Capital</b>                | <b>-</b>      | <b>-</b>            |
| <b>Capital</b>                              | <b>-</b>      | <b>-</b>            |
| <b>Net Available Capital</b>                | <b>65.716</b> | <b>207.658</b>      |

(\*) The information is obtained from financial statements subject to consolidation as of 30 September 2016.

| <b>Prior Period</b>                         | <b>YF(*)</b>  | <b>TSKB GYO (*)</b> |
|---|---------------|---------------------|
| <b>CORE CAPITAL</b>                         |               |                     |
| Paid-in Capital                             | 64.275        | 150.000             |
| Share Premium                               | -             | 593                 |
| Legal Reserves                              | 4.730         | 5.721               |
| Other Comprehensive Income according to TAS | (73)          | (27)                |
| Current and Prior Years' Profit/Loss        | 2.855         | 68.024              |
| Leasehold Improvements (-)                  | (1.231)       | -                   |
| Intangible Assets (-)                       | (344)         | (21)                |
| <b>Total Core Capital</b>                   | <b>70.212</b> | <b>224.290</b>      |
| <b>Supplementary Capital</b>                | <b>-</b>      | <b>-</b>            |
| <b>Capital</b>                              | <b>-</b>      | <b>-</b>            |
| <b>Net Available Capital</b>                | <b>70.212</b> | <b>224.290</b>      |

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

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article 519 of the Turkish Commercial Code numbered 6102.

The Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated associates and subsidiaries are included in the operation.



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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**8. Information on subsidiaries (net) (continued)**

**8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of consolidating and needed capital if they are subject to capital requirement:**

TSKB Gayrimenkul Değerleme A.Ş. is valued at cost and is not consolidated since it is not a financial subsidiaries. Unconsolidated subsidiary of the Bank is not subject to minimum capital requirement.

**8.b.1 Information on subsidiaries:**

|   | Title  | Address<br>(City/ Country) | Bank's share<br>percentage-If different<br>voting percentage (%) | Bank's risk group<br>share percentage (%) |
|---|--|----------------------------|--|---|
| 1 | TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)         | Istanbul /Turkey           | 99,99  | 99,99                                     |
| 2 | Yatırım Finansman Menkul Değerler A.Ş. (YF)        | Istanbul /Turkey           | 95,78  | 98,51                                     |
| 3 | TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) | Istanbul/Turkey            | 59,00  | 72,48                                     |
| 4 | TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD) | Istanbul/Turkey            | 80,65  | 99,42                                     |

|   |              | Total Assets | Shareholders'<br>Equity | Total<br>Fixed<br>Assets | Interest<br>Income | Income<br>from<br>Marketable<br>Securities | Current<br>Period<br>Profit/Loss | Prior<br>Period<br>Profit/Loss | Fair<br>Value |
|---|--------------|--------------|-------------------------|--------------------------|--------------------|--|----------------------------------|--------------------------------|---------------|
| 1 | TSKB GMD     | 16.708       | 13.899                  | 1.154                    | 582                | -  | 3.115                            | 1.438                          | -             |
| 2 | YF (*)       | 883.358      | 67.778                  | 2.400                    | 22.831             | 1.172                                      | (3.131)                          | (1.037)                        | -             |
| 3 | TSKB GYO (*) | 420.625      | 207.673                 | 294                      | 389                | -  | (16.647)                         | (27.964)                       | 56.729        |
| 4 | TSKB SD      | 1.268        | 1.185                   | 17                       | 48                 | -  | (422)                            | 240                            | -             |

(\*) The unconsolidated financial data of the subsidiaries are prepared in accordance with BRSA regulations.

**8.b.2 Movement schedule for subsidiaries:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Balance at the beginning of the period</b> | <b>122.699</b> | <b>134.204</b> |
| Movements in the period                       | 5.514          | (11.505)       |
| Purchases                                     | 1.000          | -              |
| Bonus shares obtained                         | -              | -              |
| Current year share of profit                  | -              | -              |
| Sales   | -              | -              |
| Revaluation increase                          | 4.514          | -              |
| Provision for impairment                      | -              | (11.505)       |
| <b>Balance at the end of the period</b>       | <b>128.213</b> | <b>122.699</b> |
| Capital commitments                           | -              | -              |
| Share percentage at the end of the period (%) | -              | -              |

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**8. Information on subsidiaries (net) (continued)**

**8.b.2 Movement schedule for subsidiaries (continued):**

*Subsidiaries disposed in the current period*

In the current period, the Bank 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%.

**8.b.3 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:**

|                              | Current Period | Prior Period |
|------------------------------|----------------|--------------|
| Subsidiaries                 | -              | -            |
| Banks                        | -              | -            |
| Insurance Companies          | -              | -            |
| Factoring Companies          | -              | -            |
| Leasing Companies            | -              | -            |
| Financial Service Companies  | -              | -            |
| Other Financial Subsidiaries | 126.834        | 122.320      |

**8.b.4 Subsidiaries subject to consolidation quoted on stock market:**

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Subsidiaries quoted on domestic stock exchanges | 56.729         | 52.215       |
| Subsidiaries quoted on foreign stock exchanges  | -              | -            |

**9. Information on entities under common control**

The Bank has no entities under common control as of the reporting date (31 December 2015: None).

**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   | 1.073          | 950          | 98           | -        |
| Between 1- 4 years | 476            | 467          | -            | -        |
| More than 4 years  | -              | -            | -            | -        |
| <b>Total</b>       | <b>1.549</b>   | <b>1.417</b> | <b>98</b>    | <b>-</b> |

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

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Gross investments in finance leases      | 1.549          | 98           |
| Unearned revenue from finance leases (-) | (132)          | (98)         |
| Cancelled finance leases (-)             | -              | -            |
| <b>Net investments in finance leases</b> | <b>1.417</b>   | <b>-</b>     |

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**10. Information on finance lease receivables (net) (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 Financial Leasing, Factoring and Financing Company Law No 6361. There are no restructuring or restrictions; which has material effect on financial statements.

**11. Explanation on derivative financial assets held for hedging purposes**

**11.a Positive differences on derivative financial instruments held for hedging purposes:**

|   | Current Period |               | Prior Period |              |
|---|----------------|---------------|--------------|--------------|
|   | TL             | FC            | TL           | FC           |
| Fair Value Hedge                              | -              | 42.021        | -            | 4.093        |
| Cash Flow Hedge                               | -              | -             | -            | -            |
| Hedge of net investment in foreign operations | -              | -             | -            | -            |
| <b>Total</b>                                  | <b>-</b>       | <b>42.021</b> | <b>-</b>     | <b>4.093</b> |

As of 30 September 2016, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

|                     | Current Period |        |           | Prior Period |       |           |
|---------------------|----------------|--------|-----------|--------------|-------|-----------|
|                     | Face Value     | Asset  | Liability | Face Value   | Asset | Liability |
| Interest Rate Swaps | 6.615.600      | 42.021 | -         | 4.689.900    | 4.093 | (5.799)   |
| FC                  | 6.615.600      | 42.021 | -         | 4.689.900    | 4.093 | (5.799)   |
| TL                  | -              | -      | -         | -            | -     | -         |

**11.a.1 Information on fair value hedge accounting**

| Current Period                  |  | Type of Risk       | Fair Value Change of Hedged Item(*) | Fair Value of Hedging Instrument(*) |             | Income Statement Effect (Profit/Loss Through Derivative Financial Instruments) |
|---------------------------------|--|--------------------|-------------------------------------|-------------------------------------|-------------|--|
| Hedging Item                    | Hedged Item                              |                    |                                     | Assets                              | Liabilities |  |
| Interest Rate Swap Transactions | Fixed Rate Issued Eurobond and Greenbond | Interest Rate Risk | (25.688)                            | 21.651                              | -           | (4.037)  |
| Interest Rate Swap Transactions | Fixed Rate Loans Used                    | Interest Rate Risk | (14.254)                            | 13.743                              | -           | (511)  |

(\*) The fair value of hedged item and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

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

**12. Explanations on tangible assets (net)**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**13. Information on intangible assets**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**14. Information on investment property**

The Bank has no investment property (31 December 2015: None).

**15. Information on deferred tax assets**

**15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:**

The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

| <b>Deferred tax asset:</b>             | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Loan commissions accrual adjustment    | 16.567                | 16.103              |
| Other provisions                       | 15.000                | 12.000              |
| Marketable securities                  | 4.330                 | -                   |
| Employee benefit provision             | 2.181                 | 1.750               |
| Valuation of derivative instruments    | -                     | 5.802               |
| Other                                  | 3.276                 | 488                 |
| <b>Total Deferred Tax Asset</b>        | <b>41.354</b>         | <b>36.143</b>       |
| <b>Deferred tax liability:</b>         |                       |                     |
| Marketable securities                  | -                     | (2.671)             |
| Valuation of derivative instruments    | (6.620)               | -                   |
| Loan commissions accrual adjustment    | (9.008)               | (7.265)             |
| Useful life difference of fixed assets | (328)                 | (321)               |
| Other                                  | (3.879)               | (2.975)             |
| <b>Total Deferred Tax Liability</b>    | <b>(19.835)</b>       | <b>(13.232)</b>     |
| <b>Net Deferred Tax Asset</b>          | <b>21.519</b>         | <b>22.911</b>       |

**15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:**

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2015: None).

**15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:**

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2015: None).

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

**16. Explanation on assets held for sale**

In the current period, the Bank 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 liabilities**

**1. Information of maturity structure of deposits**

**1.a.1 Maturity structure of deposits:**

The Bank is not authorized to accept deposits.

**1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:**

The Bank is not authorized to accept deposits.

**1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country:**

The Bank is not authorized to accept deposits.

**1.c Saving deposits which are not under the guarantee of deposit insurance fund:**

The Bank is not authorized to accept deposits.

**2. Negative differences table related to derivative financial liabilities held-for-trading**

| Derivative Financial Liabilities Held for Trading | Current Period |                | Prior Period  |                |
|---|----------------|----------------|---------------|----------------|
|   | TL             | FC             | TL            | FC             |
| Forward Transactions                              | 3.306          | 2.321          | 753           | 1.348          |
| Swap Transactions                                 | 47.440         | 85.260         | 42.180        | 55.518         |
| Futures Transactions                              | -              | -              | -             | -              |
| Options   | -              | 47.249         | -             | 73.632         |
| Other   | 919            | -              | -             | -              |
| <b>Total</b>                                      | <b>51.665</b>  | <b>134.830</b> | <b>42.933</b> | <b>130.498</b> |

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 30 September 2016, the fair value of such swaps is TL (23.349) with a total outstanding notional amount of 150 million US Dollar. The average maturity of such range between 2020 and 2021 years.

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**3. Information on funds borrowed**

**3.a Information on banks and other financial institutions:**

|  | Current Period |                   | Prior Period   |                   |
|--|----------------|-------------------|----------------|-------------------|
|  | TL             | FC                | TL             | FC                |
| Loans from Central Bank of Turkey          | -              | -                 | -              | -                 |
| From Domestic Banks and Institutions       | -              | 234.179           | 127.000        | 223.022           |
| From Foreign Banks, Institutions and Funds | 303.245        | 13.516.462        | 69.001         | 12.879.928        |
| <b>Total</b>                               | <b>303.245</b> | <b>13.750.641</b> | <b>196.001</b> | <b>13.102.950</b> |

**3.b Maturity analysis of funds borrowed:**

|                      | Current Period |                   | Prior Period   |                   |
|----------------------|----------------|-------------------|----------------|-------------------|
|                      | TL             | FC                | TL             | FC                |
| Short-term           | 204.480        | 256.766           | -              | 56.360            |
| Medium and long-term | 98.765         | 13.493.875        | 196.001        | 13.046.590        |
| <b>Total</b>         | <b>303.245</b> | <b>13.750.641</b> | <b>196.001</b> | <b>13.102.950</b> |

**3.c Information on marketable securities issued**

|            | Current Period |           | Prior Period |           |
|------------|----------------|-----------|--------------|-----------|
|            | TL             | FC        | TL           | FC        |
| Nominal    | -              | 2.980.000 | -            | 2.026.500 |
| Cost       | -              | 2.968.204 | -            | 2.021.606 |
| Book Value | -              | 3.058.562 | -            | 2.037.571 |

As of 27 October 2014, the 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:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**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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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Informations on financial lease obligations (net)**

**5.a Explanations on finance lease payables:**

The Bank has no financial lease payables (31 December 2015: None).

**5.b Explanations regarding operational leases:**

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 11 cars and 215 computers and 27 tablets are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2015: 2 head office buildings, 1 branch, 11 cars and 100 computers under operational leasing).

**5.c Explanations on the lessor and lessee in sales and lease back transactions, agreement conditions, and major agreement terms:**

The Bank has no sale and lease back transactions as of the reporting date (31 December 2015: None).

**6. Negative differences on derivative financial instruments held for hedging purposes:**

|   | Current Period |    | Prior Period |                |
|---|----------------|----|--------------|----------------|
|   | TL             | FC | TL           | FC             |
| Fair Value Hedge                            | -              | -  | -            | (5.799)        |
| Cash Flow Hedge                             | -              | -  | -            | -              |
| Net Investment Hedge in a foreign operation | -              | -  | -            | -              |
| <b>Total</b>                                | -              | -  | -            | <b>(5.799)</b> |

**7. Explanations on provisions**

**7.a Information on general provisions:**

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>General Provisions</b>                         | <b>159.758</b> | <b>150.329</b> |
| Provisions for First Group Loans and Receivables  | 138.540        | 129.715        |
| Provisions for Second Group Loans and Receivables | 3.412          | 4.522          |
| Provisions for Non-Cash Loans                     | 2.593          | 2.721          |
| Other   | 15.213         | 13.371         |

**7.b Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:**

The foreign exchange losses on the foreign currency indexed loans amount to TL 409 (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 of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 583 (31 December 2015: TL 583).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the liabilities (continued)**

**7. Information on provisions (continued)**

**7.d.1 Provision for possible losses:**

The Bank has no provision for possible provisions (31 December 2015: None).

**7.d.2 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:**

|                      | Current Period | Prior Period  |
|----------------------|----------------|---------------|
| Other Provisions (*) | 75.583         | 60.583        |
| <b>Total</b>         | <b>75.583</b>  | <b>60.583</b> |

(\*) Other provisions balance includes amount to TL 75.000 for the risks related to loan portfolio, amount to TL 583 for unindemnified non-cash loans (31 December 2015: TL 60.000 provision ).

**8. Explanations on taxes payable**

**8.a Explanations on current taxes payable:**

**8.a.1 Explanations on taxes payable:**

|                                    | Current Period |          | Prior Period  |          |
|------------------------------------|----------------|----------|---------------|----------|
|                                    | TL             | FC       | TL            | FC       |
| Corporate Taxes and Deferred Taxes |                |          |               |          |
| Corporate tax payable              | 21.111         | -        | 41.871        | -        |
| Deferred tax liability             | -              | -        | -             | -        |
| <b>Total</b>                       | <b>21.111</b>  | <b>-</b> | <b>41.871</b> | <b>-</b> |

**8.a.2 Information on taxes payable:**

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Corporate taxes payable                      | 21.111         | 41.871        |
| Taxation of securities                       | 376            | 437           |
| Property tax                                 | -              | -             |
| Banking and Insurance Transaction Tax (BITT) | 3.038          | 3.085         |
| Foreign Exchange Transaction Tax             | -              | -             |
| Value Added Tax Payable                      | 169            | 193           |
| Other  | 1.374          | 1.167         |
| <b>Total</b>                                 | <b>26.068</b>  | <b>46.753</b> |

**8.a.3 Information on premiums:**

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Social Security Premiums-Employee                    | -              | -            |
| Social Security Premiums-Employer                    | -              | -            |
| Bank Social Aid Pension Fund Premium-Employee        | -              | -            |
| Bank Social Aid Pension Fund Premium-Employer        | -              | -            |
| Pension Fund Membership Fees and Provisions-Employee | -              | -            |
| Pension Fund Membership Fees and Provisions-Employer | -              | -            |
| Unemployment insurance-Employee                      | 29             | 23           |
| Unemployment insurance-Employer                      | 58             | 46           |
| Other  | -              | -            |
| <b>Total</b>   | <b>87</b>      | <b>69</b>    |

**8.b Information on deferred taxes liabilities:**

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



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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the liabilities (continued)**

**9. Explanations on liabilities regarding assets held for sale**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**11. Information on shareholders' equity**

**11.a Presentation of paid-in capital:**

|                 | <b>Current Period</b> | <b>Prior Period</b> |
|-----------------|-----------------------|---------------------|
| 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:**

| <b>Capital System</b>     | <b>Paid-in capital</b> | <b>Ceiling</b> |
|---------------------------|------------------------|----------------|
| Registered Capital System | 2.050.000              | 2.500.000      |

**11.c Information on share capital increases and their sources; other information on increased capital shares in current period:**

In the meeting of the General Assembly held on 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. The applications to BRSA and CMB related to increase has been performed and the process is finalised as of reporting date.

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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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**II. Explanations and disclosures related to the 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 period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

**11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

The prior period income, profitability and liquidity of the Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses.

The Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

**11.g Information on preferred shares:**

The Bank has no preferred shares (31 December 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 | (1.146)        | -             | (35.994)        | -             |
| Valuation Differences  | (772)          | 21.452        | (31.066)        | 11.288        |
| Foreign Exchange Difference                                      | 2.928          | -             | 2.427           | -             |
| <b>Total</b>   | <b>1.010</b>   | <b>21.452</b> | <b>(64.633)</b> | <b>11.288</b> |

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations related to the off-balance sheet items**

**1. Explanation on off-balance sheet liabilities**

**1.a Nature and amount of irrevocable loan commitments:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Commitments for Forward Purchase and Sales of Assets        | 291.662               | 110.589             |
| Commitments for Use Guaranteed Credit Allocation            | -                     | -                   |
| Commitments for Stock Brokerage Purchase and Sales          | 86.728                | 6.049               |
| Commitments for Letter of Credit                            | 115.459               | 19.275              |
| Commitments from Forward Short Term Borrowing and Transfers | -                     | 103.409             |
| Capital commitments for subsidiaries and associates (*)     | 63.171                | -                   |
| Commitments for option forward premiums                     | -                     | -                   |
| Other   | 164.417               | 157.739             |
| <b>Total</b>  | <b>721.437</b>        | <b>397.061</b>      |

(\*) "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."

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

**1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:**

As of the reporting date, total letters of credit, surety and acceptances amount to TL 593.757 (31 December 2015: TL 585.917).

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

As of the reporting date, total letters of guarantee given by the Bank is TL 998.292 (31 December 2015: TL 1.196.749).

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

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Non-cash loans given against obtaining cash loans | 818.011               | 731.304             |
| With maturity of one year or less than one year   | 10.937                | 49.945              |
| With maturity of more than one year               | 807.074               | 681.359             |
| Other non-cash loans                              | 788.938               | 1.051.362           |
| <b>Total</b>                                      | <b>1.606.949</b>      | <b>1.782.666</b>    |

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

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**1.c.3 Information on Ist and IInd group non-cash loans:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**2. Explanation related to derivative financial instruments**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**3. Explanations on loan derivatives and risk exposures**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**4. Explanations on contingent liabilities and assets**

There are 36 legal cases against the Bank which are amounting to TL 2.415 as of the reporting date (31 December 2015: TL 1.071 - 32 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Bank and employees to “Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı” (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not 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 stump duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Bank relying on this report.

The Bank assesses that the Bank’s practice is in compliance with the legislation and there is no legal basis for the tax administration’s suspended assessments, therefore, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir. Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Bank against the decision of the Court with respect to the Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Bank are accrued by administration depending on legal process and as of 31 July 2014 the Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court (AYM) in the form of individual remedies by the main shareholder of the 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 Bank’s property rights has been violated. This decision is considered to be a precedent for the Bank and an amount of TL 12.750 corresponding to the portion that the parent Bank was obliged to pay for the related period is recognised as income in the prior period.

**5. Custodian and intermediary services:**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the income statement**

**1. Information on interest income**

**1.a Information on interest on loans:**

|  | Current Period |                | Prior Period   |                |
|--|----------------|----------------|----------------|----------------|
|  | TL             | FC             | TL             | FC             |
| Interest on loans (*)                                    |                |                |                |                |
| Short term loans   | 47.483         | 4.366          | 20.861         | 2.140          |
| Medium and long term loans                               | 121.747        | 415.299        | 98.940         | 370.597        |
| Interest on non-performing loans                         | 3.853          | 84             | 190            | 122            |
| Premiums received from Resource Utilization Support Fund | -              | -              | -              | -              |
| <b>Total</b>   | <b>173.083</b> | <b>419.749</b> | <b>119.991</b> | <b>372.859</b> |

(\*) Commission income from loans have been included to the interest on loans.

**1.b Information on interest received from banks:**

|                                 | Current Period |              | Prior Period |            |
|---------------------------------|----------------|--------------|--------------|------------|
|                                 | TL             | FC           | TL           | FC         |
| The Central Bank of Turkey (*)  | 2.540          | -            | 648          | -          |
| Domestic banks                  | 5.429          | 924          | 2.613        | 97         |
| Foreign banks                   | 78             | 413          | 140          | 109        |
| Branches and head office abroad | -              | -            | -            | -          |
| <b>Total</b>                    | <b>8.047</b>   | <b>1.337</b> | <b>3.401</b> | <b>206</b> |

(\*) Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

**1.c Information on interest received from marketable securities:**

|  | Current Period |               | Prior Period   |               |
|--|----------------|---------------|----------------|---------------|
|  | TL             | FC            | TL             | FC            |
| Trading Securities                                     | 1.242          | 30            | 1.122          | 35            |
| Financial Assets at Fair Value Through Profit and Loss | -              | -             | -              | -             |
| Available for Sale Financial Assets                    | 167.490        | 31.032        | 183.903        | 37.022        |
| Investments Held to Maturity                           | 56.767         | 6.368         | 1.276          | 886           |
| <b>Total</b>   | <b>225.499</b> | <b>37.430</b> | <b>186.301</b> | <b>37.943</b> |

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

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Interest received from associates and subsidiaries | 6.824          | 8.667        |

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**2. Information on interest expenses**

**2.a Information on interest on funds borrowed:**

|                                 | Current Period |                | Prior Period |                |
|---------------------------------|----------------|----------------|--------------|----------------|
|                                 | TL             | FC             | TL           | FC             |
| Banks                           | 12.577         | 17.496         | 4.900        | 12.851         |
| The Central Bank of Turkey      | -              | -              | -            | -              |
| Domestic banks                  | 4.194          | 915            | 1.832        | 880            |
| Foreign banks                   | 8.383          | 16.581         | 3.068        | 11.971         |
| Branches and head office abroad | -              | -              | -            | -              |
| Other financial institutions    | 1.783          | 131.385        | -            | 111.561        |
| <b>Total (*)</b>                | <b>14.360</b>  | <b>148.881</b> | <b>4.900</b> | <b>124.412</b> |

(\*) Commissions given to other financial institutions have been included to interest expense on funds borrowed.

**2.b Information on interest expense to associates and subsidiaries:**

The Bank has no interest expense to its associates and subsidiaries (30 September 2015: None).

**2.c Information on interest expense to securities issued:**

|                                   | Current Period |        | Prior Period |        |
|-----------------------------------|----------------|--------|--------------|--------|
|                                   | TL             | FC     | TL           | FC     |
| Interest on Securities Issued (*) | -              | 99.722 | -            | 66.905 |

(\*) Commissions given to issuance have been included to interest expense on funds borrowed.

**3. Information on dividend income**

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**4. Information on net trading income (net)**

|  | Current Period   | Prior Period       |
|--|------------------|--------------------|
| <b>Profit</b>                                  | <b>823.216</b>   | <b>1.130.892</b>   |
| Gains on capital market operations             | 6.507            | 10.669             |
| Gains on derivative financial instruments (*)  | 477.879          | 609.198            |
| Foreign exchange gains                         | 338.830          | 511.025            |
| <b>Losses (-)</b>                              | <b>(883.103)</b> | <b>(1.140.294)</b> |
| Losses on capital market operations            | (769)            | (7.730)            |
| Losses on derivative financial instruments (*) | (615.655)        | (669.297)          |
| Foreign exchange losses                        | (266.679)        | (463.267)          |

(\*) The foreign exchange gain from derivative transactions amounting to TL 164.148 is presented in "Gains on derivative financial instruments" (30 September 2015: 263.619 TL), foreign exchange loss from derivative transactions amounting to TL (308.798) is presented in "Losses on derivative financial instruments" (30 September 2015: TL (263.209)).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**5. Explanation related to other operating income**

|                                     | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------------|-----------------------|---------------------|
| Provisions Released                 | 12.658                | 23.345              |
| Gains on Sale of Assets             | 173                   | 54                  |
| From Associate and Subsidiary Sales | 114                   | -                   |
| From Immovable Fixed Asset Sales    | -                     | 53                  |
| From Property Sales                 | 59                    | 1                   |
| From Other Asset Sales              | -                     | -                   |
| Other (*)                           | 1.680                 | 17.319              |
| <b>Total</b>                        | <b>14.511</b>         | <b>40.718</b>       |

(\*) 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 Bank**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Specific provisions for loans and other receivables | 1.592                 | 43.952              |
| III. Group  | 2                     | 1                   |
| IV. Group   | -                     | 43.917              |
| V. Group  | 1.590                 | 34                  |
| General provision expenses                          | 9.429                 | 30.779              |
| Provision expenses for possible losses              | -                     | -                   |
| Marketable securities impairment expenses           | 2.307                 | 7.144               |
| Trading securities                                  | 65                    | -                   |
| Investment securities available for sale            | 2.242                 | 7.144               |
| Impairment provisions                               | -                     | -                   |
| Associates  | -                     | -                   |
| Subsidiaries  | -                     | -                   |
| Entities under common control (joint vent.)         | -                     | -                   |
| Investment securities held to maturity              | -                     | -                   |
| Other (*)   | 15.000                | -                   |
| <b>Total</b>  | <b>28.328</b>         | <b>81.875</b>       |

(\*) Other provision contains amounting to TL 15.000 allocated for the risks related to the loan portfolio.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**7. Information related to other operating expenses**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Personnel expenses   | 53.545                | 46.988              |
| Reserve for employee termination benefits                    | 1.275                 | 1.045               |
| Bank social aid fund deficit provision                       | -                     | -                   |
| Impairment expenses of fixed assets                          | -                     | -                   |
| Depreciation expenses of fixed assets                        | 2.301                 | 1.412               |
| Impairment expenses of intangible assets                     | -                     | -                   |
| Impairment expense of goodwill                               | -                     | -                   |
| Amortization expenses of intangible assets                   | 315                   | 228                 |
| Impairment on subsidiaries accounted for under equity method | -                     | -                   |
| Impairment on assets for resale                              | 15                    | 16                  |
| Depreciation expenses of assets for resale                   | -                     | 13                  |
| Impairment expenses of assets held for sale                  | -                     | -                   |
| Other operating expenses                                     | 15.478                | 14.898              |
| Rent expenses  | 6.602                 | 6.075               |
| Maintenance expenses   | 306                   | 706                 |
| Advertisement expenses                                       | 552                   | 438                 |
| Other expenses   | 8.018                 | 7.679               |
| Loss on sale of assets                                       | -                     | -                   |
| Other  | 14.378                | 11.591              |
| <b>Total</b>   | <b>87.307</b>         | <b>76.191</b>       |

**8. Explanation on tax provision for continued and discontinued operations**

**8.a Explanation on current tax charge or benefit and deferred tax charge or benefit:**

The Bank's current tax charge for the period is TL 93.571 (30 September 2015: TL 34.766). Deferred tax benefit is TL 8.186 (30 September 2015: TL 34.249 deferred tax charge).

**8.b Explanation related to deferred tax benefit or charge on temporary differences:**

Deferred tax benefit calculated on temporary differences is TL 8.186 (30 September 2015: TL 34.249 deferred tax charge).

**8.c Explanation related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:**

As of 30 September 2016, the deferred tax benefit was calculated based on temporary timing differences, is TL 8.186 (30 September 2015: TL 34.249 charge). There is no deferred tax benefit or charge reflected in the income statement on carry forward tax losses, tax deductions and exceptions (30 September 2015: None).

In addition, TL 9.578 deferred tax effect is calculated over the fair value differences on available for sale securities (30 September 2015: TL 45.718).



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the income statement (continued)**

**9. Information on net profit from continued and discontinued operations:**

As of 30 September 2016, the current net profit of the Bank has increased by 25,63% compared to the prior net profit (30 September 2015: 1,4%).

**10. Information on net profit/loss**

**10.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period:**

The Bank has generated TL 1.002.047 of interest income, TL 422.466 of interest expenses and TL 3.571 of net fee and commission income from banking operations (30 September 2015: TL 779.250 interest income, TL 333.129 interest expense, TL 8.059 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 has no change in the accounting estimates and accordingly effect on the financial statement items.

**10.c Minority share of profit and loss:**

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (30 September 2015: None).

**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:**

None other than other operating expense explained in note IV.7, exceeds 10% of the income statement.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**V. Explanations on the risk group of the Bank**

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

**1.a Current Period:**

| Risk Group of the Bank         | Subsidiaries and Associates |          | Direct and Indirect Shareholders of the Bank |          | Other Entities Included In the Risk Group |          |
|--------------------------------|-----------------------------|----------|--|----------|---|----------|
|                                | Cash                        | Non-cash | Cash   | Non-cash | Cash                                      | Non-cash |
| Loans and Other Receivables    |                             |          |  |          |   |          |
| Balance at Beginning of Period | 451.705                     | 322      | 53.167                                       | 117.412  | 91.272                                    | -        |
| Balance at End of Period       | 277.438                     | 7.187    | 36.991                                       | -        | 84.824                                    | -        |
| Interest and Commission Income | 6.705                       | 119      | 805  | 67       | 2.975                                     | -        |

**1.b Prior Period:**

| Risk Group of the Bank             | Subsidiaries and Associates |          | Direct and Indirect Shareholders of the Bank |          | Other Entities Included In the risk Group |          |
|------------------------------------|-----------------------------|----------|--|----------|---|----------|
|                                    | Cash                        | Non-cash | Cash   | Non-cash | Cash                                      | Non-cash |
| Loans and Other Receivables        |                             |          |  |          |   |          |
| Balance at Beginning of Period     | 305.972                     | 264      | 72.954                                       | 117.412  | 79.003                                    | -        |
| Balance at End of Period           | 451.705                     | 322      | 53.167                                       | 117.412  | 91.272                                    | -        |
| Interest and Commission Income (*) | 8.663                       | 4        | 1.222  | 220      | 3.238                                     | -        |

(\*) The information is related to 30 September 2015.

**1.c Information on deposit held by Bank's own risk group:**

The Bank is not authorized to accept deposits.

**2. Information on forward, option and other similar agreements made with Bank's own risk group**

| 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 |
| <b>Fair Value Through Profit or Loss Transactions</b> |                             |              |   |              |   |              |
| Beginning of the Period                               | 116.656                     | 97.317       | -   | -            | -   | -            |
| End of the Period                                     | 438.681                     | 116.656      | -   | -            | -   | -            |
| Total Profit / Loss (*)                               | (18.694)                    | 2.895        | -   | -            | -   | -            |
| <b>Hedging Risk Transactions</b>                      |                             |              |   |              |   |              |
| Beginning of the Period                               | -                           | -            | -   | -            | -   | -            |
| End of the Period                                     | -                           | -            | -   | -            | -   | -            |
| Total Profit / Loss                                   | -                           | -            | -   | -            | -   | -            |

(\*) Prior Period includes the informations belong to 30 September 2015.

**3. Total salaries and similar benefits provided to the key management personnel**

Benefits provided to the key management personnel in the current period amount to TL 8.449 (30 September 2015: TL 6.893).

**VI. Explanations and notes related to subsequent events**

None.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**SECTION SIX**

**AUDITORS' REVIEW REPORT**

**I. Explanations on the review report**

The unconsolidated financial statements as of 30 September 2016 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors' Review Report dated 27 October 2016 is presented in the introduction of this report.

**II. Explanations and notes prepared by independent auditors**

There are no other explanations and notes not expressed in sections above related with the Bank's operations.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**INFORMATION ON INTERIM ACTIVITY REPORT**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

**SECTION SEVEN**

**INFORMATION ON INTERIM ACTIVITY REPORT**

**I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities**

**OVERVIEW**

**Changes in the Bank's Board Members, Chief Executive Officer and Vice Executive Presidents during the Period**

There has been no change in the Board of Directors and Senior Management within third quarter.

**Information on the Bank's Board of Directors Meetings**

The Board of Directors made 29 resolutions between January 01, 2016 and September 30, 2016. Members of the Board of Directors were sufficiently involved in the meetings.

**ASSESSMENTS OF THE BOARD CHAIRMAN FOR THE PERIOD**

A global snapshot for the third quarter of 2016 has the US presidential elections at the top of the agenda while the main focus in the European Union is the problems of a weak European banking sector and the "Brexit" issue. On the other hand, the volatility caused by constantly changing expectations depending on the Fed signals continue to weigh on the developing countries' markets. All these are indications that the world has still not fully recovered in the wake of the period of uncertainty brought along by the Lehman crisis. In its World Economic Outlook, the IMF projects that the growth in the Eurozone as well as China will follow a downward trend in 2016 and 2017 when compared to 2015 and the growth rate in the global economy will drop slightly to 3.1% in 2016 before recovering to 3.4% in 2017.

In Turkey, Moody's downgraded the country's credit rating to one notch below the investment grade following the abominable coupe' attempt of July 15. Such unexpected developments caused a relative slowdown in investments while the downgrading of the Turkey's credit rating increased the funding costs of banks by 20-30 basis points. However, having a proven capacity to quickly adapt to such unsteady periods, Turkish banking sector continues to run its operations in the way it has done before the event. Although the indicators for the third quarter point out to a reduced acceleration in economic growth, both the incentives announced by the government in the last couple of months and the measures taken by regulatory authorities to relieve the market aim to support the economy. Should Turkey swiftly go through a process of normalization in the fourth quarter, the start of 2017 is expected to be much more positive taking the postponed demand into account.

The financial sector inevitably assumes a major responsibility to overcome this backdrop. This is a period when banks will avoid making short-term decisions but rather aim at maintaining and improving the existing values. It also requires a higher level of preparedness against uncertainties pertaining to risk management. Backed by the government and the regulatory authorities, we strongly believe that banks will adopt a constructive, solution-oriented stance and cooperate with the real sector to ensure Turkey coming out of this period stronger than ever.

Having successfully performed in line with its goals for the first three quarters, TSKB is more than ready to assume important roles in this period thanks to its healthy asset structure and strong capital. In the current period which is marked by an increased importance of development and investment banking, the Bank will continue to finance investments which will support Turkey's development, competitive power and employment capacity.

Sincerely,  
Adnan Bali  
Chairman of the Board

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**INFORMATION ON INTERIM ACTIVITY REPORT**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2016**

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

**SECTION SEVEN (Continued)**

**INFORMATION ON INTERIM ACTIVITY REPORT (Continued)**

**I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)**

**ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD**

The third quarter of 2016 started amidst expectations that policy rates would remain at the existing low levels in developed countries for a long time. However, following its September meeting, the Fed revived the possibility to raise interest rates during the year, leading to some fluctuations in Turkey as well as the developing countries. Furthermore, the downgrading of Turkey's credit rating by Moody's following the failed coupe' attempt of July 15 was among the major highlights which marked the third quarter. Having had a temporary impact on markets, the downgrading by Moody's led to a slight increase in banks' funding costs. Yet, this impact has been limited due to the weak demand in foreign currency loans.

Despite all uncertainties and unexpected developments in 2016, the banking sector succeeded in delivering a good profitability performance. Considering the year-to-date data, it is projected that the sector will outperform last year in terms of net profit. Mainly led by public banks, the total growth in loans adjusted for currency impact stood at 6.9% in the first three quarters. On the other hand, the year-to-date change in non-performing loans was an approximate 20 basis points upwards. The positive impact of the simplification policy the Central Bank has implemented since March and of the regulatory efforts announced by the BRSA will continue to prevail in the upcoming period.

In the first nine months, TSKB's assets increased by 10.3% to TRY 22.9 billion and its total loan portfolio grew by 12.3% to TRY 15.4 billion. Logistics, renewable energy, energy and resource efficiency investments as well as investments to increase capacity continued to stand out in the Bank's efforts to extend new loans in this period.

Moreover, TSKB performed parallel to its profitability projections for the period, raising its net profit for the period by 25.6% to TRY 366.9 million on an annual basis. The Bank increased its equities by 15.3% to TRY 2.9 billion on a year-to-date basis and posted a capital adequacy ratio of 15.2% as of the end of September.

TSKB continues to prove and reinforce its success not only through the operational and financial results it has announced but also through the awards it has received on international platforms. The Green bond issuance completed last May enabled our Bank to receive the "EMEA Green/SRI Bond Deal of the Year" award during the Sustainable and Responsible Capital Markets Forum held by Euromoney and GlobalCapital and make it to the final along with Apple and Starbucks in the category of "The Most Innovative Green/SRI Bond Deal".

Sincerely,  
Suat İnce  
CEO and Board Member

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**SECTION SEVEN (Continued)**

**I. INFORMATION ON INTERIM ACTIVITY REPORT (Continued)**

**Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)**

**ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD**

**Economic Developments during the First 9 Months of 2016**

In the second quarter of 2016, Turkish economy grew by 3.1% on a year-on-year basis. A buoyant domestic demand was the driving force for growth. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 0.3% in the second quarter of 2016 when compared to the previous quarter. As of the end of June 2016, the size of Turkish economy stood at TRY 2 trillion (USD 708 billion).

Inflation data by Turkstat revealed that annual inflation based on consumer prices was 7.28% as of September 2016. The slowdown in the increase of food and clothing prices and relatively stable foreign exchange rates led to a downward impact on inflation, which stood at 8.81% by 2015 year-end, while the tax adjustments restricted the downfall of inflation. The government's 2016 year-end inflation expectation based on the CPI is around 7.5% as stated in the medium term program.

Turkstat data indicates that industrial production increased by 2.8% in August 2016 on a year-on-year basis. Indices adjusted for calendar effects indicate that industrial production rose by 2.2% in August, again on a year-on-year basis. In the first eight months of 2016, the total increase in industrial production stood at 2.5% on a year-on-year basis, pointing out to an industrial slowdown. Industrial production had risen by 3% in the first eight months of 2015.

As of the end of August 2016, the foreign trade deficit decreased to an annualized USD 55.4 billion, the lowest level in the last six years. In the first eight months of the year, exports decreased by 2% and imports decreased by 7% on a year-on-year basis while foreign trade deficit went down by 17% to USD 37.5 billion. In this period, the rate of exports meeting imports stood at 71.3%.

Current accounts deficit followed a downward trend in 2016 in parallel to the contraction in foreign trade deficit, decreasing by 5% on a year-on-year basis to USD 23.5 billion in the first eight months of the year. Furthermore, annual current account deficit went down from USD 32.2 billion at 2015 year-end to USD 31 billion as of the end of August 2016.

Ministry of Finance data shows that budget deficit dropped by 10.6% to TRY 12 billion in the first three quarters of 2016 on a year-on-year basis. The increase in tax revenues was limited to 10% while primary expenditures grew by 16%, causing the primary surplus to decrease by 5% to TRY 29.6 billion.

**Financial Markets**

Having commenced the year with growth concerns, low commodity prices and concerns that the Fed would increase rates, financial markets entered into a recovery period thanks to the price adjustment movement in commodity prices, oil in the first place, in mid-February based on an expectation that low oil prices would cause a shrinkage in supply as well as the supportive steps taken by the European Central Bank. US economic data indicating weakness and the upcoming referendum in Britain to decide whether to leave the EU caused the Fed to postpone tightening steps. Although the unexpected "Brexit" decision in the June 23 referendum caused fluctuations in the global financial markets, this did not last long and the markets went back to the pre-referendum conditions on the expectation that the exit process would take long and would not cause a significant impact on the global economic outlook. In the third quarter of the year, USD appreciated on international markets thanks to the signals from the Fed regarding an increase in interest rates, followed by the depreciation of the currencies of developing countries. Markets began to price the US Presidential Elections in November and the expectations for the Fed meeting in December. In Europe, on the other hand, the risks associated with the banking sector once again hit the top of the agenda when Deutsche Bank found itself in financial distress after the German bank was asked by the US to pay a fine of USD 14 billion. In the first nine months of the year, the S&P 500 Index in the US rose by 6% and the MSCI Emerging Markets Index (MSCI EM) by 13% while the Dax in Germany went down by 2% and the Nikkei in Japan down by 13.5%.

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**SECTION SEVEN (Continued)**

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**Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)**

In domestic markets, the risk appetite deteriorated owing to negative political developments and the downgrading of credit ratings, causing a negative decoupling of Turkish assets from that of other developing countries. Furthermore, the Central Bank reduced the overnight lending rate from 10.75% to 8.25% with a decrease of 250 basis points in line with the simplification policy after the ease in global volatility, the reduction in food prices and the decrease in inflation with the reduction in currency impact from 2015 all provided for a suitable rate. Such developments caused the two-year fixed-coupon benchmark bond interest rate to go down to 8.71% at the end of September from 10.86% at the start of the year. In the first three quarters of the year, BIST-100 increased by 6.6% and closed the period at 76,488.

**Banking Sector**

The slowdown in annual loan growth rate observed since the second half of 2015 continued in the first six months of 2016 before coming to a halt in the third quarter and reaching a plateau. When compared to the beginning of the year, the fx adjusted growth rate of total loans in the last twelve months decreased from 14% to 10%. In the same period, the annual loan growth rate for corporate loans went down from 17% to 12%. The total loan growth of 6.9% in the first nine months is an indicator that a slower increase by 300 basis points took place when compared to last year. Although the year-to-date loan growth rate for corporate loans stood at 7.7%, indicating a higher growth rate than overall total loans', it points to a 320 bps slower growth on a year-on-year basis. The year-to-date growth in consumer loans stood at 4.9%.

Furthermore, the sectors deposits grew by 5.8% in the first nine months in fx adjusted terms. TRY deposits increased by 14.5% while the foreign currency deposits went down by 5.2%. The loan-to-deposit ratio has been flat hovering around 115.5-118.0% since November 2015 and stood at 118.5% as of the end of September.

| <b>Change<br/>YTD</b> | <b>TL<br/>Terms</b> | <b>FX<br/>Adjusted<br/>Terms</b> |
|-----------------------|---------------------|----------------------------------|
| Loans                 | 8.4%                | 6.9%                             |
| Deposit               | 7.4%                | 5.8%                             |

*Source: BRSA Weekly Bulletin, Sept. 30, 2016*

**HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD**

The Bank's green bond issuance in May attracted a demand of more than 13 folds of the planned amount and received the "EMEA Green/SRI Bond Deal of the Year" award during the Sustainable and Responsible Capital Markets Forum held by Euromoney and GlobalCapital in September. In addition, TSKB made it to the final along with Apple and Starbucks in the category of "The Most Innovative Green/SRI Bond Deal".

In the third quarter when renewable energy, energy and resource efficiency investments as well as capacity increase investments continued to stand out in the Bank's efforts to extend new loans, TSKB was among the 6 banks financing the Galataport Project. The Bank provided EUR 110 million to the project, which received a total financing of EUR 1.02 billion.

As a Bank which spearheads corporate efforts for sustainable practices, TSKB started sponsoring archaeological excavations at the ancient city of Patara along with İşbank and Şişecam.

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**SECTION SEVEN (Continued)**

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**Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)**

**Developments Regarding the Bank's Corporate Governance Operations**

As of October 20, 2016, Saha Rating revised the Bank's corporate governance rating up to 9.53 over 10, which previously stood at 9.52. Held under four main sections (Shareholders, Public Disclosure&Transparency, Stakeholders, Board of Directors), the section ratings was 9.49 (Weight: 25%), 9.67 (Weight: 25%), 9.85 (Weight: 15%) and 9.32 (Weight: 35%) over 10 respectively.

**FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD**

The summary for the Bank's main financial indicators as of September 30, 2016 is provided below:  
The total asset size grew by 9.7% on a year-on-year basis and by 10.3% on a year-to-date basis to reach TRY 22,870 million.

The total loan portfolio stood at TRY 15,353 million, marking an increase of 7.6% on a year-on-year basis and 12.3% on a year-to-date basis. Furthermore, the fx-adjusted loan growth has been 8.4% in the first nine months of the year. At the same period, the ratio of non-performing loans to total loans decreased to 0.3%.

Shareholders' equity picked up by 23.3% compared to previous year and by 15.3% on a year-to-date basis to reach TRY 2,870 million. Standing at 14.9% as of 2015 year-end, the capital adequacy ratio of the Bank increased to 15.2% at the end of September 2016.

As of September 30, 2016, the Bank posted a net profit TRY 366,858 thousand with an annual increase of 25.6%.

While the return on equity ratio of the Bank was 16.9% in September 2015 and 17% at 2015 year-end, it rose up to 18.3% in September 2016.

The Bank delivered a return on assets ratio of 2.2% in September 2016 which was 2.2% at the 2015 year-end and 2.1% at the same period last year.

In the first three quarters of 2016, total operating income went up by 9.4% on an annual basis to reach TRY 567.9 million, while other operating expenses rose by 14.6% to TRY 87.3 million. The Bank's cost to income ratio, which stood at 14.7% in September 2015 and recorded a slight decrease to 14.3% at 2015 year-end, rose to 15.4% in the first nine months of 2016.

**Forward Looking Expectations**

No amendments were introduced to the Bank's 2016 financial goals announced publicly on the Public Disclosure Platform on January 8, 2016. It is projected that inflation will stand at 7.3% at 2016 year-end while the ratio of current account deficit to GDP is expected to be around 4.1%. The Bank's expectation regarding the average USD/TRY rate is revised up to TRY 2.96.

When the loans extended and agreements signed in the first nine months are considered, it is estimated that the Bank's fx-adjusted loan growth guidance of 12% will be attained by 2016 year-end. Renewable energy projects, logistics, energy and resource efficiency projects as well as investments supporting sustainable development such as SME financing will continue to stand out in the Bank's efforts to extend new loans. The Bank is also expected to maintain its healthy and sound asset quality.



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**RISK MANAGEMENT**

TSKB Risk Management policies and code of conduct regarding such policies are the written standards set out by the Board of Directors and implemented by the senior Bank management.

Within the scope of the TSKB Risk Management Policies, the basic risks that the Bank is exposed to are the loan risks, assets-liabilities management risks (market risk, structural interest rate risks, liquidity risks) and operational risks, and a Risk Management Department has been established within the Bank to for the management of the Bank's risks pursuant to said policies, as well as for the compliance with the aforementioned risk policies and the relevant code of conduct.

TSKB Risk Management Department actively undertakes efforts in all processes related to risk management, and regularly reports to the Board of Directors, Audit Committee, senior management and relevant departments of the Bank. Its functions, responsibilities and structure are set out by the bylaws of the Risk Management Department.

**FURTHER INFORMATION**

Statements regarding the developments that have a significant impact on the Bank's operations are given above. For further information, please kindly visit the following website for the annual report of 2015:  
<http://www.tskb.com.tr/tr/yatirimci-iliskileri/finansal-raporlar>