

# **Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries**

**Consolidated Financial Statements**  
**As of and for the Nine-Month Period Ended 30 September 2016**  
*(Convenience Translation of Consolidated  
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; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 95 pages.*

***Convenience Translation of the Auditor's Review Report***  
***Originally Prepared and Issued in Turkish (See Section 3.I)***

**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 consolidated balance sheet of Türkiye Sınai Kalkınma Bankası AŞ (the "Bank") and its financial subsidiaries (together "the Group") as at 30 September 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the nine-month period then ended and summary of significant accounting policies and other explanatory information ("interim consolidated financial information"). The Bank Management is responsible for the preparation and fair presentation of such interim consolidated 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 consolidated 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 consolidated 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 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 consolidated financial information is not presented fairly, in all material respects, the consolidated financial position of Group 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 consolidated 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  
İstanbul, 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 CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITORS’ REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

| <b>Subsidiaries</b>   | <b>Associates</b>   |
|---|---|
| Yatırım Finansman Menkul Değerler A.Ş.<br>TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. | İş Finansal Kiralama A.Ş.<br>İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.<br>İş Faktoring A.Ş. |

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the nine-month period ended, 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 of Directors</b> | <b>Member of Board of Directors and General Manager</b> | <b>Executive Vice President in Charge of Financial Reporting</b> | <b>Head of Financial Control 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** : Tolga Sert / Head of Financial Control Department  
**Telephone Number** : (212) 334 51 97

**SECTION ONE**

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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

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

| <b>Current Period</b>   |                      |                              |                        |                       |
|---|----------------------|------------------------------|------------------------|-----------------------|
| <b>Name Surname/Commercial Title</b>  | <b>Share Capital</b> | <b>Shareholding Rate (%)</b> | <b>Paid in Capital</b> | <b>Unpaid 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>Name Surname/Commercial Title</b>  | <b>Share Capital</b> | <b>Shareholding Rate (%)</b> | <b>Paid in Capital</b> | <b>Unpaid 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>              |

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent 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. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

| Name Surname            | Title (1)  |
|-------------------------|--|
| Adnan Bali              | Chairman of the Board of Directors                   |
| Ebru 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 Dışlı'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 Dışlı 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. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

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

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

Financial institutions included in the consolidation are determined in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated 8 November 2006 numbered 26340.

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

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

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

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

**İş Finansal Kiralama A.Ş.:**

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

**İş Faktoring A.Ş.:**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 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 Ref. | TL  | FC                | Total             | TL  | FC                | Total             |
| <b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>                    | (1)       | <b>19.119</b>                                   | <b>850.303</b>    | <b>869.422</b>    | <b>40.447</b>                               | <b>770.676</b>    | <b>811.123</b>    |
| <b>II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)</b>    | (2)       | <b>36.931</b>                                   | <b>159.178</b>    | <b>196.109</b>    | <b>49.785</b>                               | <b>159.786</b>    | <b>209.571</b>    |
| 2.1 Trading financial assets   |           | 36.931  | 159.178           | 196.109           | 49.785                                      | 159.786           | 209.571           |
| 2.1.1 Public sector debt securities                                  |           | 8.411   | -                 | 8.411             | 30.777                                      | -                 | 30.777            |
| 2.1.2 Share certificates   |           | 1.951   | -                 | 1.951             | 2   | -                 | 2                 |
| 2.1.3 Derivative financial assets held for trading                   |           | 17.479  | 159.178           | 176.657           | 10.008                                      | 159.786           | 169.794           |
| 2.1.4 Other marketable securities                                    |           | 9.090   | -                 | 9.090             | 8.998                                       | -                 | 8.998             |
| 2.2 Financial assets at fair value through profit and loss           |           | -   | -                 | -                 | -   | -                 | -                 |
| 2.2.1 Public sector debt securities                                  |           | -   | -                 | -                 | -   | -                 | -                 |
| 2.2.2 Share certificates   |           | -   | -                 | -                 | -   | -                 | -                 |
| 2.2.3 Other marketable securities                                    |           | -   | -                 | -                 | -   | -                 | -                 |
| 2.2.4 Loans  |           | -   | -                 | -                 | -   | -                 | -                 |
| <b>III. BANKS</b>  | (3)       | <b>424.604</b>                                  | <b>446.020</b>    | <b>870.624</b>    | <b>72.617</b>                               | <b>678.928</b>    | <b>751.545</b>    |
| <b>IV. MONEY MARKET PLACEMENTS</b>                                   |           | <b>1.224.088</b>                                | <b>-</b>          | <b>1.224.088</b>  | <b>1.080.724</b>                            | <b>-</b>          | <b>1.080.724</b>  |
| 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                   |           | 3   | -                 | 3                 | 450   | -                 | 450               |
| <b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>                  | (4)       | <b>2.372.349</b>                                | <b>877.574</b>    | <b>3.249.923</b>  | <b>2.124.343</b>                            | <b>847.819</b>    | <b>2.972.162</b>  |
| 5.1 Share certificates   |           | 26.476  | 15.093            | 41.569            | 28.094                                      | 10.120            | 38.214            |
| 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           |
| <b>VI. LOANS AND RECEIVABLES</b>                                     | (5)       | <b>3.119.346</b>                                | <b>12.302.797</b> | <b>15.422.143</b> | <b>2.371.872</b>                            | <b>11.261.257</b> | <b>13.633.129</b> |
| 6.1 Loans and receivables  |           | 3.119.346                                       | 12.302.797        | 15.422.143        | 2.371.872                                   | 11.261.257        | 13.633.129        |
| 6.1.1 Loans to risk group of the Bank                                |           | 189.997   | 209.256           | 399.253           | 276.808                                     | 207.989           | 484.797           |
| 6.1.2 Public sector debt securities                                  |           | -   | -                 | -                 | -   | -                 | -                 |
| 6.1.3 Other  |           | 2.929.349                                       | 12.093.541        | 15.022.890        | 2.095.064                                   | 11.053.268        | 13.148.332        |
| 6.2 Non performing loans   |           | 50.171  | 1.362             | 51.533            | 59.328                                      | 1.689             | 61.017            |
| 6.3 Specific provisions (-)  |           | (50.171)  | (1.362)           | (51.533)          | (59.328)                                    | (1.689)           | (61.017)          |
| <b>VII. FACTORING RECEIVABLES</b>                                    |           | <b>-</b>  | <b>-</b>          | <b>-</b>          | <b>-</b>                                    | <b>-</b>          | <b>-</b>          |
| <b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>                      | (6)       | <b>750.812</b>                                  | <b>157.279</b>    | <b>908.091</b>    | <b>715.194</b>                              | <b>157.408</b>    | <b>872.602</b>    |
| 8.1 Public sector debt securities                                    |           | 750.812   | 157.279           | 908.091           | 715.194                                     | 157.408           | 872.602           |
| 8.2 Other marketable securities                                      |           | -   | -                 | -                 | -   | -                 | -                 |
| <b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>                           | (7)       | <b>313.786</b>                                  | <b>-</b>          | <b>313.786</b>    | <b>293.543</b>                              | <b>-</b>          | <b>293.543</b>    |
| 9.1 Accounted for under equity method                                |           | 312.231   | -                 | 312.231           | 291.988                                     | -                 | 291.988           |
| 9.2 Unconsolidated associates  |           | 1.555   | -                 | 1.555             | 1.555                                       | -                 | 1.555             |
| 9.2.1 Financial investments  |           | -   | -                 | -                 | -   | -                 | -                 |
| 9.2.2 Non-financial investments                                      |           | 1.555   | -                 | 1.555             | 1.555                                       | -                 | 1.555             |
| <b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>                          | (8)       | <b>1.609</b>                                    | <b>-</b>          | <b>1.609</b>      | <b>609</b>                                  | <b>-</b>          | <b>609</b>        |
| 10.1 Unconsolidated financial subsidiaries                           |           | -   | -                 | -                 | -   | -                 | -                 |
| 10.2 Unconsolidated non-financial subsidiaries                       |           | 1.609   | -                 | 1.609             | 609   | -                 | 609               |
| <b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>         | (9)       | <b>1.760</b>                                    | <b>-</b>          | <b>1.760</b>      | <b>1.760</b>                                | <b>-</b>          | <b>1.760</b>      |
| 11.1 Consolidated under equity method                                |           | -   | -                 | -                 | -   | -                 | -                 |
| 11.2 Unconsolidated  |           | 1.760   | -                 | 1.760             | 1.760                                       | -                 | 1.760             |
| 11.2.1 Financial subsidiaries  |           | -   | -                 | -                 | -   | -                 | -                 |
| 11.2.2 Non-financial subsidiaries                                    |           | 1.760   | -                 | 1.760             | 1.760                                       | -                 | 1.760             |
| <b>XII. LEASE RECEIVABLES (Net)</b>                                  | (10)      | <b>-</b>  | <b>1.417</b>      | <b>1.417</b>      | <b>-</b>                                    | <b>-</b>          | <b>-</b>          |
| 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)              |
| <b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>        | (11)      | <b>-</b>  | <b>42.021</b>     | <b>42.021</b>     | <b>-</b>                                    | <b>4.093</b>      | <b>4.093</b>      |
| 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                   |           | -   | -                 | -                 | -   | -                 | -                 |
| <b>XIV. TANGIBLE ASSETS (Net)</b>                                    | (12)      | <b>205.116</b>                                  | <b>-</b>          | <b>205.116</b>    | <b>207.027</b>                              | <b>-</b>          | <b>207.027</b>    |
| <b>XV. INTANGIBLE ASSETS (Net)</b>                                   | (13)      | <b>3.043</b>                                    | <b>-</b>          | <b>3.043</b>      | <b>2.056</b>                                | <b>-</b>          | <b>2.056</b>      |
| 15.1 Goodwill  |           | 1.005   | -                 | 1.005             | 1.005                                       | -                 | 1.005             |
| 15.2 Other   |           | 2.038   | -                 | 2.038             | 1.051                                       | -                 | 1.051             |
| <b>XVI. INVESTMENT PROPERTY (Net)</b>                                | (14)      | <b>242.465</b>                                  | <b>-</b>          | <b>242.465</b>    | <b>241.293</b>                              | <b>-</b>          | <b>241.293</b>    |
| <b>XVII. TAX ASSET</b>   | (15)      | <b>29.160</b>                                   | <b>-</b>          | <b>29.160</b>     | <b>29.624</b>                               | <b>-</b>          | <b>29.624</b>     |
| 17.1 Current tax asset   |           | 1.643   | -                 | 1.643             | 1.825                                       | -                 | 1.825             |
| 17.2 Deferred tax asset  |           | 27.517  | -                 | 27.517            | 27.799                                      | -                 | 27.799            |
| <b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b> | (16)      | <b>-</b>  | <b>-</b>          | <b>-</b>          | <b>-</b>                                    | <b>-</b>          | <b>-</b>          |
| 18.1 Assets held for sale  |           | -   | -                 | -                 | -   | -                 | -                 |
| 18.2 Assets of discontinued operations                               |           | -   | -                 | -                 | -   | -                 | -                 |
| <b>XIX. OTHER ASSETS</b>   | (17)      | <b>77.065</b>                                   | <b>140.144</b>    | <b>217.209</b>    | <b>74.491</b>                               | <b>181.228</b>    | <b>255.719</b>    |
| <b>TOTAL ASSETS</b>  |           | <b>8.821.253</b>                                | <b>14.976.733</b> | <b>23.797.986</b> | <b>7.305.385</b>                            | <b>14.061.195</b> | <b>21.366.580</b> |

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 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             |
| <b>I. DEPOSITS</b>   | (1)      | -   | -                 | -                 | -   | -                 | -                 |
| 1.1 Deposits from Risk Group of the Bank   |          | -   | -                 | -                 | -   | -                 | -                 |
| 1.2 Other  |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>   | (2)      | 52.110  | 134.821           | 186.931           | 44.452                                      | 130.498           | 174.950           |
| <b>III. FUNDS BORROWED</b>   | (3)      | 386.860   | 13.962.330        | 14.349.190        | 255.612                                     | 13.186.219        | 13.441.831        |
| <b>IV. MONEY MARKET BALANCES</b>   |          | 2.465.899                                       | 57.589            | 2.523.488         | 2.305.992                                   | 44.548            | 2.350.540         |
| 4.1 Interbank money market takings   |          | 162.000   | -                 | 162.000           | -   | -                 | -                 |
| 4.2 Istanbul Stock Exchange money market takings   |          | 380.005   | -                 | 380.005           | 182.505                                     | -                 | 182.505           |
| 4.3 Funds provided under repurchase agreements   |          | 1.923.894                                       | 57.589            | 1.981.483         | 2.123.487                                   | 44.548            | 2.168.035         |
| <b>V. DEBT SECURITIES ISSUED (Net)</b>   | (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         |
| <b>VI. FUNDS</b>   |          | 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   |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>VII. MISCELLANEOUS PAYABLES</b>   |          | 101.930   | 44.475            | 146.405           | 98.571                                      | 30.727            | 129.298           |
| <b>VIII. OTHER LIABILITIES</b>   | (4)      | -   | -                 | -                 | -   | -                 | -                 |
| <b>IX. FACTORING PAYABLES</b>  |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>X. LEASE PAYABLES</b>   | (5)      | -   | -                 | -                 | -   | -                 | -                 |
| 10.1 Finance lease payables  |          | -   | -                 | -                 | -   | -                 | -                 |
| 10.2 Operating lease payables  |          | -   | -                 | -                 | -   | -                 | -                 |
| 10.3 Other   |          | -   | -                 | -                 | -   | -                 | -                 |
| 10.4 Deferred finance lease expenses (-)   |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>   | (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   |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>XII. PROVISIONS</b>   | (7)      | 247.299   | -                 | 247.299           | 217.860                                     | -                 | 217.860           |
| 12.1 General loan loss provisions  |          | 158.994   | -                 | 158.994           | 144.043                                     | -                 | 144.043           |
| 12.2 Restructuring provisions  |          | -   | -                 | -                 | -   | -                 | -                 |
| 12.3 Reserve for employee benefits   |          | 12.540  | -                 | 12.540            | 10.768                                      | -                 | 10.768            |
| 12.4 Insurance technical reserves (Net)  |          | -   | -                 | -                 | -   | -                 | -                 |
| 12.5 Other provisions  |          | 75.765  | -                 | 75.765            | 63.049                                      | -                 | 63.049            |
| <b>XIII. TAX LIABILITY</b>   | (8)      | 27.628  | -                 | 27.628            | 48.426                                      | -                 | 48.426            |
| 13.1 Current tax liability   |          | 27.628  | -                 | 27.628            | 48.426                                      | -                 | 48.426            |
| 13.2 Deferred tax liability  |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>                   | (9)      | -   | -                 | -                 | -   | -                 | -                 |
| 14.1 Held for sale   |          | -   | -                 | -                 | -   | -                 | -                 |
| 14.2 Discontinued operations   |          | -   | -                 | -                 | -   | -                 | -                 |
| <b>XV. SUBORDINATED LOANS</b>  | (10)     | -   | 151.709           | 151.709           | -   | 145.836           | 145.836           |
| <b>XVI. SHAREHOLDERS' EQUITY</b>   |          | 3.080.126                                       | 21.452            | 3.101.578         | 2.772.504                                   | 11.288            | 2.783.792         |
| 16.1 Paid-in capital   | (11)     | 2.050.000                                       | -                 | 2.050.000         | 1.750.000                                   | -                 | 1.750.000         |
| 16.2 Capital reserves  |          | 155.397   | 21.452            | 176.849           | 136.034                                     | 11.288            | 147.322           |
| 16.2.1 Share premium   |          | 428   | -                 | 428               | 428   | -                 | 428               |
| 16.2.2 Share cancellation profits  |          | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.3 Marketable securities value increase fund   | (11)     | (19.583)  | 21.452            | 1.869             | (39.043)                                    | 11.288            | (27.755)          |
| 16.2.4 Tangible assets revaluation differences   |          | 174.639   | -                 | 174.639           | 174.619                                     | -                 | 174.619           |
| 16.2.5 Intangible assets revaluation differences   |          | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.6 Investment property revaluation differences   |          | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.) |          | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.8 Hedging reserves (Effective portion)  |          | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.9 Revaluation surplus on assets held for sale and discontinued operations                           |          | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.10 Other capital reserves   | (87)     | -   | -                 | (87)              | 30  | -                 | 30                |
| 16.3 Profit reserves   |          | 408.096   | -                 | 408.096           | 362.902                                     | -                 | 362.902           |
| 16.3.1 Legal reserves  |          | 216.361   | -                 | 216.361           | 195.072                                     | -                 | 195.072           |
| 16.3.2 Statutory reserves  |          | 75.641  | -                 | 75.641            | 75.641                                      | -                 | 75.641            |
| 16.3.3 Extraordinary reserves  |          | 113.175   | -                 | 113.175           | 89.478                                      | -                 | 89.478            |
| 16.3.4 Other profit reserves   |          | 2.919   | -                 | 2.919             | 2.711                                       | -                 | 2.711             |
| 16.4 Profit or loss  |          | 405.927   | -                 | 405.927           | 458.078                                     | -                 | 458.078           |
| 16.4.1 Prior years' profit/loss  |          | 51.233  | -                 | 51.233            | 50.847                                      | -                 | 50.847            |
| 16.4.2 Current year profit/loss  |          | 354.694   | -                 | 354.694           | 407.231                                     | -                 | 407.231           |
| 16.5 Non-controlling interests   |          | 60.706  | -                 | 60.706            | 65.490                                      | -                 | 65.490            |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |          | <b>6.363.272</b>                                | <b>17.434.714</b> | <b>23.797.986</b> | <b>5.745.107</b>                            | <b>15.621.473</b> | <b>21.366.580</b> |

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF 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 Ref | TL  | FC                 | Total              | TL  | FC                 | Total              |
| <b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>               |          | <b>6,109,295</b>                                | <b>26,972,948</b>  | <b>33,082,243</b>  | <b>4,606,892</b>                            | <b>22,448,542</b>  | <b>27,055,434</b>  |
| <b>I. GUARANTEES AND COLLATERALS</b>   | (1)      | <b>244,756</b>                                  | <b>1,362,191</b>   | <b>1,606,947</b>   | <b>390,799</b>                              | <b>1,391,865</b>   | <b>1,782,664</b>   |
| 1.1 Letters of guarantee   |          | 244,756   | 753,534            | 998,290            | 390,799                                     | 805,948            | 1,196,747          |
| 1.1.1 Guarantees subject to State Tender Law                                       |          | -   | -                  | -                  | -   | -                  | -                  |
| 1.1.2 Guarantees given for foreign trade operations                                |          | -   | -                  | -                  | -   | -                  | -                  |
| 1.1.3 Other letters of guarantee   |          | 244,756   | 753,534            | 998,290            | 390,799                                     | 805,948            | 1,196,747          |
| 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>1,534,568</b>                                | <b>3,803,021</b>   | <b>5,337,589</b>   | <b>1,442,326</b>                            | <b>3,583,979</b>   | <b>5,026,305</b>   |
| 2.1 Irrevocable commitments  |          | 1,158,401                                       | 455,871            | 1,614,272          | 1,009,744                                   | 303,817            | 1,313,561          |
| 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   |          | 1,106,012                                       | 153,427            | 1,259,439          | 954,197                                     | 248,775            | 1,202,972          |
| 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>4,329,971</b>                                | <b>21,807,736</b>  | <b>26,137,707</b>  | <b>2,773,767</b>                            | <b>17,472,698</b>  | <b>20,246,465</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  |          | 4,329,971                                       | 15,192,136         | 19,522,107         | 2,773,767                                   | 12,782,798         | 15,556,565         |
| 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                         |          | 2,267,756                                       | 12,489,914         | 14,757,670         | 1,672,001                                   | 10,911,718         | 12,583,719         |
| 3.2.2.1 Foreign currency swaps-buy   |          | 598,024   | 2,513,520          | 3,111,544          | 748,975                                     | 1,969,096          | 2,718,071          |
| 3.2.2.2 Foreign currency swaps-sell  |          | 1,626,388                                       | 1,380,612          | 3,007,000          | 878,170                                     | 1,798,598          | 2,676,768          |
| 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          | 1,053,922                                   | 1,422,626          | 2,476,548          |
| 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  |          | -   | -                  | -                  | 150   | -                  | 150                |
| 3.2.4 Foreign currency futures   |          | -   | -                  | -                  | -   | -                  | -                  |
| 3.2.4.1 Foreign currency futures-buy   |          | -   | -                  | -                  | -   | -                  | -                  |
| 3.2.4.2 Foreign currency futures-sell  |          | -   | -                  | -                  | -   | -                  | -                  |
| 3.2.5 Interest rate futures  |          | -   | -                  | -                  | -   | -                  | -                  |
| 3.2.5.1 Interest rate futures-buy  |          | -   | -                  | -                  | -   | -                  | -                  |
| 3.2.5.2 Interest rate futures-sell   |          | -   | -                  | -                  | -   | -                  | -                  |
| 3.2.6 Other  |          | 140,000   | 261,603            | 401,603            | -   | 89,210             | 89,210             |
| <b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>                                 |          | <b>41,109,139</b>                               | <b>162,387,729</b> | <b>203,496,868</b> | <b>34,498,158</b>                           | <b>145,401,774</b> | <b>179,899,932</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>   |          | <b>2,657,762</b>                                | <b>130,642</b>     | <b>2,788,404</b>   | <b>3,650,448</b>                            | <b>114,984</b>     | <b>3,765,432</b>   |
| 4.1 Customers' securities held   |          | -   | -                  | -                  | -   | -                  | -                  |
| 4.2 Investment securities held in custody  |          | 954,984   | 130,642            | 1,085,626          | 1,649,997                                   | 114,984            | 1,764,981          |
| 4.3 Checks received for collection   |          | -   | -                  | -                  | -   | -                  | -                  |
| 4.4 Commercial notes received for collection                                       |          | -   | -                  | -                  | -   | -                  | -                  |
| 4.5 Other assets received for collection   |          | -   | -                  | -                  | -   | -                  | -                  |
| 4.6 Assets received for public offering  |          | -   | -                  | -                  | -   | -                  | -                  |
| 4.7 Other items under custody  |          | -   | -                  | -                  | -   | -                  | -                  |
| 4.8 Custodians   |          | 1,702,778                                       | -                  | 1,702,778          | 2,000,451                                   | -                  | 2,000,451          |
| <b>V. PLEDGED ITEMS</b>  |          | <b>27,689,201</b>                               | <b>96,712,656</b>  | <b>124,401,857</b> | <b>20,596,654</b>                           | <b>87,050,467</b>  | <b>107,647,121</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  |          | 108,491   | 1,793,798          | 1,902,289          | 81,885                                      | 1,663,046          | 1,744,931          |
| 5.3 Commodity  |          | -   | -                  | -                  | -   | -                  | -                  |
| 5.4 Warranty   |          | -   | -                  | -                  | -   | -                  | -                  |
| 5.5 Real estates   |          | 381,922   | 25,744,252         | 26,126,174         | 355,357                                     | 24,150,259         | 24,505,616         |
| 5.6 Other pledged items  |          | 26,747,847                                      | 62,625,316         | 89,373,163         | 19,708,473                                  | 56,179,318         | 75,887,791         |
| 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>47,218,434</b>                               | <b>189,360,677</b> | <b>236,579,111</b> | <b>39,105,050</b>                           | <b>167,850,316</b> | <b>206,955,366</b> |

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

|   | Note | Reviewed<br>Current Period<br>1 January 2016 –<br>30 September 2016 | Reviewed<br>Prior Period<br>1 January 2015 –<br>30 September<br>2015 | Reviewed<br>Current Period<br>1 July 2016 –<br>30 September<br>2016 | Reviewed<br>Prior Period<br>1 July 2015 –<br>30 September<br>2015 |
|---|------|---|--|---|---|
|   | Ref. |   |  |   |   |
| <b>I. INTEREST INCOME</b>   | (1)  | <b>1.024.982</b>  | <b>792.617</b>   | <b>364.251</b>  | <b>283.426</b>  |
| 1.1 Interest on loans   |      | 601.470   | 497.309  | 215.793   | 181.967   |
| 1.2 Interest received from reserve deposits   |      | 2.540   | 648  | 805   | 391   |
| 1.3 Interest received from banks  |      | 20.103  | 10.852   | 9.108   | 2.425   |
| 1.4 Interest received from money market placements  |      | 136.150   | 58.441   | 46.312  | 31.971  |
| 1.5 Interest received from marketable securities portfolio                                    |      | 264.101   | 225.174  | 92.072  | 66.580  |
| 1.5.1 Financial assets held for trading   |      | 2.444   | 2.087  | 586   | 1.078   |
| 1.5.2 Financial assets at fair value through profit and loss                                  |      | -   | -  | -   | -   |
| 1.5.3 Available-for-sale financial assets   |      | 198.522   | 220.925  | 67.753  | 63.340  |
| 1.5.4 Investments held-to-maturity  |      | 63.135  | 2.162  | 23.733  | 2.162   |
| 1.6 Finance lease income  |      | 10  | 1  | 9   | -   |
| 1.7 Other interest income   |      | 608   | 192  | 152   | 92  |
| <b>II. INTEREST EXPENSES</b>  | (2)  | <b>(463.096)</b>  | <b>(366.278)</b>   | <b>(163.435)</b>  | <b>(139.613)</b>  |
| 2.1 Interest on deposits  |      | -   | -  | -   | -   |
| 2.2 Interest on funds borrowed  |      | (182.585)   | (144.911)  | (70.096)  | (55.586)  |
| 2.3 Interest on money market borrowings   |      | (180.657)   | (154.303)  | (51.757)  | (53.300)  |
| 2.4 Interest on securities issued   |      | (99.722)  | (66.905)   | (41.533)  | (30.637)  |
| 2.5 Other interest expense  |      | (132)   | (159)  | (49)  | (90)  |
| <b>III. NET INTEREST INCOME (I - II)</b>  |      | <b>561.886</b>  | <b>426.339</b>   | <b>200.816</b>  | <b>143.813</b>  |
| <b>IV. NET FEES AND COMMISSIONS INCOME</b>  |      | <b>17.586</b>   | <b>21.308</b>  | <b>4.683</b>  | <b>7.290</b>  |
| 4.1 Fees and commissions received   |      | 26.324  | 24.919   | 7.505   | 8.468   |
| 4.1.1 Non-cash loans  |      | 8.192   | 8.580  | 2.588   | 4.010   |
| 4.1.2 Other   | (11) | 18.132  | 16.339   | 4.917   | 4.458   |
| 4.2 Fees and commissions paid   |      | (8.738)   | (3.611)  | (2.822)   | (1.178)   |
| 4.2.1 Non-cash loans  |      | (944)   | (644)  | (429)   | (198)   |
| 4.2.2 Other   |      | (7.794)   | (2.967)  | (2.393)   | (980)   |
| <b>V. DIVIDEND INCOME</b>   | (3)  | <b>11.486</b>   | <b>10.175</b>  | -   | -   |
| <b>VI. NET TRADING INCOME</b>   | (4)  | <b>(55.637)</b>   | <b>(19.499)</b>  | <b>(27.865)</b>   | <b>(17.359)</b>   |
| 6.1 Securities trading gains/ (losses)  |      | 4.092   | 3.064  | 253   | (3.355)   |
| 6.2 Derivative financial instruments gains/losses   |      | (127.886)   | (98.497)   | (1.047)   | (11.069)  |
| 6.3 Foreign exchange gains/losses (net)   |      | 68.157  | 75.934   | (27.071)  | (2.935)   |
| <b>VII. OTHER OPERATING INCOME</b>  | (5)  | <b>21.677</b>   | <b>53.239</b>  | <b>3.131</b>  | <b>8.621</b>  |
| <b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>   |      | <b>556.998</b>  | <b>491.562</b>   | <b>180.765</b>  | <b>142.365</b>  |
| <b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>                                | (6)  | <b>(35.737)</b>   | <b>(83.319)</b>  | <b>(12.212)</b>   | <b>(20.740)</b>   |
| <b>X. OTHER OPERATING EXPENSES (-)</b>  | (7)  | <b>(116.525)</b>  | <b>(103.439)</b>   | <b>(35.499)</b>   | <b>(31.741)</b>   |
| <b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>  |      | <b>404.736</b>  | <b>304.804</b>   | <b>133.054</b>  | <b>89.884</b>   |
| <b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>                                    |      | -   | -  | -   | -   |
| <b>XIII. PROFIT / (LOSS) ON EQUITY METHOD</b>   |      | <b>29.460</b>   | <b>24.386</b>  | <b>8.517</b>  | <b>6.348</b>  |
| <b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>  |      | -   | -  | -   | -   |
| <b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>             |      | <b>434.196</b>  | <b>329.190</b>   | <b>141.571</b>  | <b>96.232</b>   |
| <b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>  | (8)  | <b>(84.275)</b>   | <b>(68.429)</b>  | <b>(29.750)</b>   | <b>(23.823)</b>   |
| 16.1 Provision for current income taxes   |      | (93.571)  | (34.766)   | (21.089)  | (15.185)  |
| 16.2 Provision for deferred taxes   |      | 9.296   | (33.663)   | (8.661)   | (8.638)   |
| <b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>                             | (9)  | <b>349.921</b>  | <b>260.761</b>   | <b>111.821</b>  | <b>72.409</b>   |
| <b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>   |      | -   | -  | -   | -   |
| 18.1 Income on assets held for sale   |      | -   | -  | -   | -   |
| 18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.) |      | -   | -  | -   | -   |
| 18.3 Income on other discontinued operations  |      | -   | -  | -   | -   |
| <b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>   |      | -   | -  | -   | -   |
| 19.1 Loss from assets held for sale   |      | -   | -  | -   | -   |
| 19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)   |      | -   | -  | -   | -   |
| 19.3 Loss from other discontinued operations  |      | -   | -  | -   | -   |
| <b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>                |      | -   | -  | -   | -   |
| <b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>                                      |      | -   | -  | -   | -   |
| 21.1 Provision for current income taxes   |      | -   | -  | -   | -   |
| 21.2 Provision for deferred taxes   |      | -   | -  | -   | -   |
| <b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>                            |      | -   | -  | -   | -   |
| <b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>   | (10) | <b>349.921</b>  | <b>260.761</b>   | <b>111.821</b>  | <b>72.409</b>   |
| 23.1 Group's profit / loss  |      | 354.694   | 268.995  | 115.516   | 76.908  |
| 23.2 Minority shares  |      | (4.773)   | (8.234)  | (3.695)   | (4.499)   |
| Earnings / (losses) per share (Full Kuruş)  |      | 0,173   | 0,131  | 0,056   | 0,038   |

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 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>45.567</b>   | <b>(200.618)</b>  |
| <b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>  | <b>-</b>  | <b>143.569</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>(9.217)</b>  | <b>(6.613)</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>29.700</b>   | <b>(14.950)</b>   |
| <b>XI. CURRENT YEAR PROFIT/LOSS</b>   | <b>349.921</b>  | <b>260.761</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  | 349.186   | 253.066   |
| <b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>   | <b>379.621</b>  | <b>245.811</b>  |

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

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

| CHANGES IN SHAREHOLDER'S EQUITY   | Note Ref. | Paid in Capital  | Other Capital Reserves | Share Premiums | Share Cancellation Profits | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Profit / Loss | Prior Period Net Profit / Loss | Marketable Security Revaluation Differences | Tangible and Intangible Assets Revaluation Differences | Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities | Hedging Reserves | Revaluation Surplus on Assets Held for sale and on Disc. Operations | Shareholders' Equity Before Non-controlling Interest | Non-Controlling Interest | Total Shareholders' Equity |
|---|-----------|------------------|------------------------|----------------|----------------------------|----------------|-----------------|------------------------|----------------|----------------------------------|--------------------------------|---|--|---|------------------|---|--|--------------------------|----------------------------|
| <b>Prior Period – 30 September 2015</b>   |           |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
| <b>I. Opening Balance</b>   |           | <b>1.500.000</b> | <b>374</b>             | <b>413</b>     | <b>-</b>                   | <b>175.765</b> | <b>75.641</b>   | <b>61.244</b>          | <b>2.758</b>   | <b>-</b>                         | <b>417.290</b>                 | <b>113.993</b>                              | <b>9.320</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.356.798</b>                                     | <b>67.453</b>            | <b>2.424.251</b>           |
| <b>II. Increase / Decrease related to merger</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>III. Marketable securities value increase fund</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>(161.513)</b>                            | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>(161.513)</b>                                     | <b>(11)</b>              | <b>(161.524)</b>           |
| <b>IV. Hedging (Effective portion)</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| 4.1 Cash-flow hedge   |           | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 4.2 Hedge of net investment in foreign operations   |           | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| <b>V. Tangible assets revaluation differences</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>(7.616)</b>                 | <b>-</b>                                    | <b>151.185</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>143.569</b>                                       | <b>-</b>                 | <b>143.569</b>             |
| <b>VI. Intangible assets revaluation differences</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)</b> |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>VIII. Foreign exchange differences</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>IX. Disposal of assets</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>2.994</b>                                | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.994</b>   | <b>-</b>                 | <b>2.994</b>               |
| <b>X. Reclassification of assets</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XI. Effect of change in equities of associates on bank's equity</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XII. Capital increase</b>  |           | <b>250.000</b>   | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>(234.000)</b>               | <b>-</b>                                    | <b>(16.000)</b>  | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| 12.1 Cash   |           | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 12.2 Internal sources   |           | 250.000          | -                      | -              | -                          | -              | -               | -                      | -              | -                                | (234.000)                      | -   | (16.000)   | -   | -                | -   | -  | -                        | -                          |
| <b>XIII. Share issuance</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XIV. Share cancellation profits</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XV. Effect of inflation on paid-in capital</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XVI. Other</b>   |           | <b>-</b>         | <b>(11)</b>            | <b>6</b>       | <b>-</b>                   | <b>1</b>       | <b>-</b>        | <b>63</b>              | <b>11</b>      | <b>-</b>                         | <b>1.219</b>                   | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>1.289</b>   | <b>(2.337)</b>           | <b>(1.048)</b>             |
| <b>XVII. Period net income</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>268.995</b>                   | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>268.995</b>                                       | <b>(8.234)</b>           | <b>260.761</b>             |
| <b>XVIII. Profit distribution</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>19.305</b>  | <b>-</b>        | <b>28.091</b>          | <b>-</b>       | <b>-</b>                         | <b>(127.658)</b>               | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>(80.262)</b>                                      | <b>-</b>                 | <b>(80.262)</b>            |
| 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>419</b>     | <b>-</b>                   | <b>195.071</b> | <b>75.641</b>   | <b>89.398</b>          | <b>2.769</b>   | <b>268.995</b>                   | <b>49.235</b>                  | <b>(44.526)</b>                             | <b>144.505</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.531.870</b>                                     | <b>56.871</b>            | <b>2.588.741</b>           |
| <b>Current Period – 30 September 2016</b>   |           |                  |                        |                |                            |                |                 |                        |                |                                  |                                |   |  |   |                  |   |  |                          |                            |
| <b>I. Opening Balance</b>   |           | <b>1.750.000</b> | <b>30</b>              | <b>428</b>     | <b>-</b>                   | <b>195.072</b> | <b>75.641</b>   | <b>89.478</b>          | <b>2.711</b>   | <b>-</b>                         | <b>458.078</b>                 | <b>(27.755)</b>                             | <b>174.619</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.718.302</b>                                     | <b>65.490</b>            | <b>2.783.792</b>           |
| <b>II. Increase / Decrease related to merger</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>III. Marketable securities value increase fund</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>26.696</b>                               | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>26.696</b>  | <b>(7)</b>               | <b>26.689</b>              |
| <b>IV. Hedging (Effective portion)</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| 4.1 Cash-flow hedge   |           | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 4.2 Hedge of net investment in foreign operations   |           | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| <b>V. Tangible assets revaluation differences</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>(20)</b>                    | <b>-</b>                                    | <b>20</b>  | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>VI. Intangible assets revaluation differences</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)</b> |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>VIII. Foreign exchange differences</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>2.928</b>                                | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>2.928</b>   | <b>-</b>                 | <b>2.928</b>               |
| <b>IX. Disposal of assets</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>X. Reclassification of assets</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XI. Effect of change in equities of associates on bank's equity</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XII. Capital increase</b>  |           | <b>300.000</b>   | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>(300.000)</b>               | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| 12.1 Cash   |           | -                | -                      | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -   | -  | -   | -                | -   | -  | -                        | -                          |
| 12.2 Internal sources   |           | 300.000          | -                      | -              | -                          | -              | -               | -                      | -              | -                                | (300.000)                      | -   | -  | -   | -                | -   | -  | -                        | -                          |
| <b>XIII. Share issuance</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XIV. Share cancellation profits</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XV. Effect of inflation on paid-in capital</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                   |
| <b>XVI. Other</b>   |           | <b>-</b>         | <b>(117)</b>           | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>208</b>     | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>91</b>  | <b>(4)</b>               | <b>87</b>                  |
| <b>XVII. Period net income</b>  |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>-</b>       | <b>-</b>        | <b>-</b>               | <b>-</b>       | <b>354.694</b>                   | <b>-</b>                       | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>354.694</b>                                       | <b>(4.773)</b>           | <b>349.921</b>             |
| <b>XVIII. Profit distribution</b>   |           | <b>-</b>         | <b>-</b>               | <b>-</b>       | <b>-</b>                   | <b>21.289</b>  | <b>-</b>        | <b>23.697</b>          | <b>-</b>       | <b>-</b>                         | <b>(106.825)</b>               | <b>-</b>                                    | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>(61.839)</b>                                      | <b>-</b>                 | <b>(61.839)</b>            |
| 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>(87)</b>            | <b>428</b>     | <b>-</b>                   | <b>216.361</b> | <b>75.641</b>   | <b>113.175</b>         | <b>2.919</b>   | <b>354.694</b>                   | <b>51.233</b>                  | <b>1.869</b>                                | <b>174.639</b>   | <b>-</b>  | <b>-</b>         | <b>-</b>  | <b>3.040.872</b>                                     | <b>60.706</b>            | <b>3.101.578</b>           |

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



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

|   | Notes | 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>521.866</b>                                  | <b>475.382</b>                                |
| 1.1.1 Interest received   |       | 916.459   | 602.471                                       |
| 1.1.2 Interest paid   |       | (347.583)                                       | (250.738)                                     |
| 1.1.3 Dividends received  |       | 11.486  | 10.175  |
| 1.1.4 Fees and commissions received   |       | 26.324  | 24.919  |
| 1.1.5 Other income  |       | 55.823  | 112.827                                       |
| 1.1.6 Collections from previously written off loans                                       |       | 12.952  | 807   |
| 1.1.7 Payments to personnel and service suppliers   |       | (86.723)  | (78.525)                                      |
| 1.1.8 Taxes paid  |       | (114.331)                                       | (55.019)                                      |
| 1.1.9 Others  | (1)   | 47.459  | 108.465                                       |
| <b>1.2 Changes in operating assets and liabilities</b>                                    |       | <b>(942.601)</b>                                | <b>(290.484)</b>                              |
| 1.2.1 Net (increase) decrease in financial assets   |       | 13.435  | (15.752)                                      |
| 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  |       | (1.295.132)                                     | (672.228)                                     |
| 1.2.5 Net (increase) decrease in other assets   |       | (31.288)  | (473.918)                                     |
| 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   |       | 221.870   | 860.307                                       |
| 1.2.9 Net increase (decrease) in matured payables   |       | -   | -   |
| 1.2.10 Net increase (decrease) in other liabilities                                       | (1)   | 148.514   | 11.107  |
| <b>I. Net cash provided by/(used in) banking operations</b>                               |       | <b>(420.735)</b>                                | <b>184.898</b>                                |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |       |   |   |
| <b>II. Net cash provided by/(used in) investing activities</b>                            |       | <b>(175.474)</b>                                | <b>(201.933)</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   |       | (2.960)   | (27.781)                                      |
| 2.4 Fixed asset sales   |       | 293   | 6.100   |
| 2.5 Cash paid for purchase of financial assets available for sale                         |       | (581.909)                                       | (893.389)                                     |
| 2.6 Cash obtained from sale of financial assets available for sale                        |       | 411.595   | 714.037                                       |
| 2.7 Cash paid for purchase of investment securities                                       |       | -   | -   |
| 2.8 Cash obtained from sale of investment securities                                      |       | -   | -   |
| 2.9 Others  | (1)   | (1.493)   | (900)   |
| <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>10.036</b>                                   | <b>52.173</b>                                 |
| <b>V. Net increase / (decrease) in cash and cash equivalents</b>                          |       | <b>230.297</b>                                  | <b>882.306</b>                                |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                           |       | <b>1.868.915</b>                                | <b>642.972</b>                                |
| <b>VII. Cash and cash equivalents at end of the period</b>                                |       | <b>2.099.212</b>                                | <b>1.525.278</b>                              |

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. Basis of presentation**

**I.a Presentation of consolidated financial statements and notes to the consolidated financial statements according to Turkish Accounting Standards and Banking Accounting Regulations and Safeguarding of Documents**

As prescribed in the Article 37 and Article 38 of the Banking Act No. 5411, the Parent Bank prepares its financial statements and underlying documents in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) except for matters regulated by BRSA legislation. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

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

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

**Additional paragraph for convenience translation to English**

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

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

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the BRSA Financial Reporting Standards. These accounting policies and valuation principles are explained in the below notes through II to XXIII.

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

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

**I.d In preparing the consolidated financial statements, items which different accounting policies adopted and their ratio on total of related consolidated financial statement**

There is no different accounting policy used in consolidated financial statements.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

The hedging strategies for other foreign exchange risk exposures:

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

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

**III. Information about the Parent Bank and its subsidiaries and associates subject to consolidation**

Explanations about the Parent Bank and its subsidiaries and associates subject to consolidation are described in General Information Section VI.

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

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

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

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

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

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value). In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

**VII. Explanations on financial assets**

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

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

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

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

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

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

Cash, Banks and Other Financial Institutions:

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Marketable Securities:

The Group classifies its marketable securities in 3 groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at inception as financial assets at fair value through profit or loss by the Group. The Group uses such classification above when permitted or for the purposes of providing a more proper disclosure. In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices.

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

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity.

All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement.

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

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Explanations on investments in associates and subsidiaries:

Investments in associates and subsidiaries are recognized within the scope of “TAS 27-Separate Financial Statements” and “TAS 28-Investments in Associates and Joint Ventures”. Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market), are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment losses.

Loans:

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

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

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

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

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

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

**VIII. Explanations on impairment on financial assets**

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

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

Loans are classified and followed in line with the provisions of the “Regulation on Identification of Loans and Other Receivables and Provisioning against Them”, published in the Official Gazette No: 26333 dated 1 November 2006.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement.

The provisions, which are released within the same year, are credited to the “Provision Expenses” account and the released parts of the provisions from the previous years are transferred to and recognized in the “Other Operating Income” account.

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

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

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

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

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

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

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

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

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



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

**XIII. Explanations on tangible assets**

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

As of the third quarter of 2015, the Group changed its accounting policy and adopted revaluation method for land and buildings under scope of TAS 16. The useful life of real estates are mentioned in expertise reports. In case of the cost of tangible assets are over the net realizable value of the assets, within the framework of "Impairment of Assets" (TAS 36), the value of the asset is reduced to its "net realizable value" and the impairment is recognised in expense accounts. The positive difference between the net book value of real estate property and the expertise values which are determined by the independent expert companies are recognised under shareholders' equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates.

Normal maintenance and repair expenditures are recognized as expense. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

Depreciation rates and estimated useful lives of tangible assets are as follows.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

| <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                        |

***Investment Property***

Operating investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognized when it is probable that the future economic benefits that are associated with them will flow to the Group and the cost of them can be measured reliably. Fair value model was chosen in the measurement of the investment properties. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss for the period in which it arises.

**XIV. Explanations on leasing transactions**

***The Group as Lessor***

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

***The Group as Lessee***

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

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

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

***Information on contingent assets***

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and there is no decision taken by the Cabinet with regards to issue date of financial statements.

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

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

In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank. The income tax charge is composed of the sum of current tax and deferred tax.

**XVII. Explanations on taxation**

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

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

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset is not allocated over the amount of general provisions and provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No: 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

***Transfer pricing***

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

**XVIII. Additional explanations on borrowings**

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

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

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

**XIX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 24 March 2016, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The applications to BRSA and CMB related to increase has been performed, and the process is finalised as of report date.

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XX. Explanations on acceptances**

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

**XXI. Explanations on government incentives**

The Parent Bank does not use government incentives.

**XXII. Explanations on segment reporting**

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

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

The activities of investment banking are; the operations of Treasury, Corporate Finance and Financial Institutions. Under the investment banking activities, portfolio management for corporate and individual customers, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXII. Explanations on segment reporting (continued)**

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below.

| <b>Current Period</b>                     | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>     | <b>Total</b>      |
|---|--------------------------|---------------------------|------------------|-------------------|
| Net Interest Income                       | 248.618                  | 330.893                   | (17.625)         | 561.886           |
| Net Fees and Commission Income            | 8.161                    | (4.589)                   | 14.014           | 17.586            |
| Other Income                              | 530                      | -                         | 78.071           | 78.601            |
| Other Expense                             | (51.967)                 | (58.856)                  | (113.054)        | (223.877)         |
| Profit Before Tax                         | 205.342                  | 267.448                   | (38.594)         | 434.196           |
| Tax Provision                             | -                        | -                         | -                | (84.275)          |
| <b>Net Profit</b>                         |                          |                           |                  | <b>349.921</b>    |
| Group's profit / loss                     |                          |                           |                  | 354.694           |
| Non-controlling interest                  |                          |                           |                  | (4.773)           |
| <b>Current Period</b>                     | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>     | <b>Total</b>      |
| Segment Assets                            | 15.353.397               | 6.895.394                 | 1.232.040        | 23.480.831        |
| Investment in Associates and Subsidiaries | -                        | -                         | 317.155          | 317.155           |
| <b>Total Assets</b>                       | <b>15.353.397</b>        | <b>6.895.394</b>          | <b>1.549.195</b> | <b>23.797.986</b> |
| Segment Liabilities                       | 18.002.667               | 1.597.185                 | 1.096.556        | 20.696.408        |
| Shareholders' Equity                      | -                        | -                         | 3.101.578        | 3.101.578         |
| <b>Total Liabilities</b>                  | <b>18.002.667</b>        | <b>1.597.185</b>          | <b>4.198.134</b> | <b>23.797.986</b> |

| <b>Prior Period (*)</b>                   | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>     | <b>Total</b>      |
|---|--------------------------|---------------------------|------------------|-------------------|
| Net Interest Income                       | 238.452                  | 202.881                   | (14.994)         | 426.339           |
| Net Fees and Commission Income            | 8.600                    | (458)                     | 13.166           | 21.308            |
| Other Income                              | 333                      | -                         | 87.467           | 87.800            |
| Other Expense                             | (90.281)                 | (21.523)                  | (94.453)         | (206.257)         |
| Profit Before Tax                         | 157.104                  | 180.900                   | (8.814)          | 329.190           |
| Tax Provision                             |                          |                           |                  | (68.429)          |
| <b>Net Profit</b>                         |                          |                           |                  | <b>260.761</b>    |
| Group's profit / loss                     |                          |                           |                  | 268.995           |
| Non-controlling interest                  |                          |                           |                  | (8.234)           |
| <b>Prior Period (**)</b>                  | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>     | <b>Total</b>      |
| Segment Assets                            | 13.564.132               | 6.456.746                 | 1.049.790        | 21.070.668        |
| Investment in Associates and Subsidiaries | -                        | -                         | 295.912          | 295.912           |
| <b>Total Assets</b>                       | <b>13.564.132</b>        | <b>6.456.746</b>          | <b>1.345.702</b> | <b>21.366.580</b> |
| Segment Liabilities                       | 16.220.868               | 1.640.878                 | 721.042          | 18.582.788        |
| Shareholders' Equity                      | -                        | -                         | 2.783.792        | 2.783.792         |
| <b>Total Liabilities</b>                  | <b>16.220.868</b>        | <b>1.640.878</b>          | <b>3.504.834</b> | <b>21.366.580</b> |

(\*) Includes information of 30 September 2015.

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

**XXIII. Explanations on other matters**

None.

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**SECTION FOUR**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Information related to the components of consolidated total capital**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As at 30 September 2016 capital adequacy ratio of Bank has been calculated as 15,68%.

|   | <b>Amount</b>    | <b>Amount related to treatment before 1/1/2014(*)</b> |
|---|------------------|---|
| <b>CORE EQUITY TIER 1 CAPITAL</b>   |                  | -   |
| Paid-in capital to be entitled for compensation after all creditors   | 2.050.374        |   |
| Share premiums  | 428              |   |
| Reserves  | 408.096          |   |
| Other comprehensive income according to TAS   | 224.808          |   |
| Profit  | 405.927          |   |
| Current Period Profit   | 354.694          |   |
| Prior Period Profit   | 51.233           |   |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit  |                  |   |
| Minority shareholder  | 60.706           |   |
| <b>Core Equity Tier 1 Capital Before Deductions</b>   | <b>3.150.339</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  | 6.420            | -   |
| Goodwill (net of related tax liability)   | 603              | -   |
| Other intangible assets other than mortgage-servicing rights (net of related tax liability)   | 1.223            | -   |
| 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         | 14.605           | -   |
| Mortgage servicing rights not deducted  | -                | -   |
| Excess amount arising from deferred tax assets from temporary differences   | -                | -   |
| Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks   | -                | -   |



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**SECTION FOUR (Continued)**

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

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

|  |                  |   |
|--|------------------|---|
| Excess amount arising from deferred tax assets from temporary differences  | -                | - |
| Excess amount arising from mortgage servicing rights   | -                | - |
| Excess amount arising from deferred tax assets based on temporary differences  | -                | - |
| Other items to be defined by the BRSA  | -                | - |
| Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals  | -                | - |
| <b>Total Regulatory Adjustments to Tier I Capital</b>  | <b>71.612</b>    |   |
| <b>Core Equity Tier I Capital</b>  | <b>3.078.727</b> |   |
| <b>ADDITIONAL TIER I CAPITAL</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>Deductions from Additional Tier I Capital</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  | -                | - |
| <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 I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | 1.217            | - |
| Net deferred tax asset/liability which is not deducted from Core Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  | -                | - |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)   | -                | - |
| <b>Total Deductions From Additional Tier I Capital</b>   | <b>1.217</b>     |   |
| <b>Total Additional Tier I Capital</b>   | -                |   |
| <b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>  | <b>3.077.510</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)  | 158.994          |   |
| <b>Tier II Capital Before Deductions</b>   | <b>158.994</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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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**  
**(Continued)**

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

|   |                  |   |
|---|------------------|---|
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)   | -                | - |
| Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital  | -                | - |
| Other items to be defined by the BRSA (-)   | -                | - |
| <b>Total Deductions from Tier II Capital</b>  | -                | - |
| <b>Total Tier II Capital</b>  | <b>158.994</b>   |   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>3.236.504</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                  | 9.736            | - |
| <b>CAPITAL</b>  |                  | - |
| Total Capital   | 3.226.393        | - |
| Total Risk Weighted Assets  | 20.574.972       | - |
| <b>Capital Adequacy Ratios</b>  | -                | - |
| Core Capital Adequacy Ratio (%)   | 14,96            | - |
| Tier I Capital Adequacy Ratio (%)   | 14,96            | - |
| Capital Adequacy Ratio (%)  | 15,68            | - |
| <b>BUFFERS</b>  |                  |   |
| Total buffer requirement (%)  | 5,13             | - |
| Capital conservation buffer requirement (%)   | 0,63             | - |
| Bank specific counter-cyclical buffer requirement (%)   | 0,003            | - |
| 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   | 7,74             | - |
| <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   | -                | - |
| Remaining mortgage servicing rights   | -                | - |

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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**  
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**I. Information related to the components of consolidated 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)  | 158.994 | - |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 158.994 | - |
| 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</b><br><b>(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   | -       | - |

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

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**SECTION FOUR (Continued)**

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

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

|   | <b>Parent Bank</b>     | <b>Consolidated</b>    |
|---|------------------------|------------------------|
|   | <b>Prior Period(*)</b> | <b>Prior Period(*)</b> |
| <b>TIER 1 CAPITAL</b>   |                        |                        |
| Paid-in capital to be entitled for compensation after all creditors   | 1.750.374              | 1.750.374              |
| Share premium   | -                      | 428                    |
| Share cancellation profits  | -                      | -                      |
| Legal reserves  | 353.822                | 362.902                |
| Other comprehensive income according to TAS   | 90.614                 | 273.407                |
| Profit  | 406.845                | 458.078                |
| Net current period profit   | 406.845                | 407.231                |
| Prior period profit   | -                      | 50.847                 |
| Provisions for possible losses  | -                      | -                      |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit  | -                      | -                      |
| Minority shareholder  | -                      | 65.490                 |
| <b>Tier I Capital Before Deductions</b>   | <b>2.601.655</b>       | <b>2.910.679</b>       |
| <b>Deductions From Tier I Capital</b>   |                        |                        |
| Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)   | 112.928                | 126.887                |
| Leasehold improvements on operational leases (-)  | 6.268                  | 7.499                  |
| Goodwill and intangible assets and related deferred tax liabilities (-)   | 686                    | 2.056                  |
| Net deferred tax assets / liabilities (-)   | 1.149                  | 1.149                  |
| Shares obtained against article 56, paragraph 4 of the Banking Law (-)  | -                      | -                      |
| Investments in own common equity (-)  | -                      | -                      |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-) | -                      | -                      |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)         | -                      | 8.492                  |
| Mortgage servicing rights exceeding the 10% threshold of Tier I capital (-)   | -                      | -                      |
| Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I capital (-)  | -                      | -                      |
| Amount exceeding the 15% 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>146.083</b>         |
| <b>Tier 1 Capital</b>   | <b>2.480.624</b>       | <b>2.764.596</b>       |

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**SECTION FOUR (Continued)**

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

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

|  | <b>Parent Bank</b>     | <b>Consolidated</b>    |
|--|------------------------|------------------------|
|  | <b>Prior Period(*)</b> | <b>Prior Period(*)</b> |
| <b>ADDITIONAL CORE CAPITAL</b>   |                        |                        |
| Preferred stock not included in Tier I capital and the related share premiums  | -                      | -                      |
| Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained after 1.1.2014)   | -                      | -                      |
| Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained before 1.1.2014)  | -                      | -                      |
| <b>Additional core capital before deductions</b>   | -                      | -                      |
| <b>Deductions From Additional Core Capital</b>   |                        |                        |
| Direct and indirect investments of the bank on its own additional core capital (-)   | -                      | -                      |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)  | -                      | -                      |
| The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital (-)   | -                      | -                      |
| Other items to be defined by the BRSA (-)  | -                      | -                      |
| Deductions from additional core capital in cases where there are no adequate Tier II capital (-)   | -                      | -                      |
| <b>Total deductions from additional core capital</b>   | -                      | -                      |
| <b>Total Additional Core Capital</b>   | -                      | -                      |
| <b>Deductions From Core Capital</b>  |                        |                        |
| Goodwill and other intangible assets and related deferred taxes not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)  | -                      | -                      |
| Net deferred tax asset/liability not deducted from Tier I capital as per the temporary article 2, clause 1 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)   | -                      | -                      |
| <b>Total Core Capital</b>  | <b>2.480.624</b>       | <b>2.764.596</b>       |
| <b>TIER II CAPITAL</b>   |                        |                        |
| Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained after 1.1.2014)   | -                      | -                      |
| Debt instruments and the related issuance premiums defined by the BRSA (issued or obtained before 1.1.2014)  | -                      | -                      |
| Pledged assets of the shareholders to be used for the bank's capital increases   | -                      | -                      |
| General provisions   | 150.329                | 144.043                |
| <b>Tier II Capital Before Deductions</b>   | <b>150.329</b>         | <b>144.043</b>         |
| <b>Deductions from Tier II Capital</b>   |                        |                        |
| Direct and indirect investments of the bank on its own Tier II capital (-)   | -                      | -                      |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above 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>         | <b>144.043</b>         |

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**SECTION FOUR (Continued)**

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

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

|   | <b>Parent Bank</b>     | <b>Consolidated</b>    |
|---|------------------------|------------------------|
|   | <b>Prior Period(*)</b> | <b>Prior Period(*)</b> |
| <b>CAPITAL</b>  | <b>2.630.953</b>       | <b>2.908.639</b>       |
| Loans granted against the articles 50 and 51 of the banking law (-)   | -                      | -                      |
| Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the banking law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)   | 390                    | 390                    |
| Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of subordinated debts or debt instruments purchased from such parties and qualified as subordinated debts (-)   | -                      | -                      |
| Deductions as per the article 20, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)  | -                      | -                      |
| Other items to be defined by the BRSA (-)   | -                      | -                      |
| The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from Tier I capital, additional core capital or tier II capital as per the temporary article 2, clause 1 of the regulation (-)  | -                      | -                      |
| The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I capital not deducted from additional core capital or Tier II capital as per the temporary article 2, clause 1 of the regulation (-)  | -                      | -                      |
| The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I capital as per the temporary article 2, clause 2, paragraph (1) and (2) and temporary article 2, clause 1 of the regulation (-) | 1.722                  | 14.460                 |
| <b>EQUITY</b>   | <b>2.628.841</b>       | <b>2.893.789</b>       |
| <b>Amounts lower than Excesses as per Deduction Rules</b>   |                        |                        |
| Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital   | 22.047                 | 44.693                 |
| Remaining total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the Tier I capital   | 158.323                | 270.760                |
| Remaining mortgage servicing rights   | -                      | -                      |
| Net deferred tax assets arising from temporary differences  | -                      | -                      |

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

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**SECTION FOUR (Continued)**

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

**II. Explanations related to consolidated currency risk**

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

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

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

|  | <b>1 US Dollar</b> | <b>1 Euro</b> |
|--|--------------------|---------------|
| <b>The Parent 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 Parent Bank before the reporting date are full TL 2,9375 and 3,2959; respectively.

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**SECTION FOUR (Continued)**

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

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

***Information on the Group'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   | 305.187          | 139.363            | 1.470            | 446.020            |
| 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 (***)  | 12.710           | 128.358            | -                | 141.068            |
| <b>Total Assets</b>   | <b>6.409.096</b> | <b>9.597.237</b>   | <b>117.055</b>   | <b>16.123.388</b>  |
| <b>Liabilities</b>  |                  |                    |                  |                    |
| Bank Deposits   | -                | -                  | -                | -                  |
| Foreign Currency Deposits   | -                | -                  | -                | -                  |
| Money Market Borrowings   | 21.557           | 36.032             | -                | 57.589             |
| Funds Provided From Other Financial Institutions  | 6.503.740        | 7.610.299          | -                | 14.114.039         |
| Marketable Securities Issued  | -                | 3.058.562          | -                | 3.058.562          |
| Miscellaneous Payables (****)   | 12.947           | 31.182             | 282              | 44.411             |
| Derivative Financial Liabilities for Hedging Purposes   | -                | -                  | -                | -                  |
| Other Liabilities (*****)   | 39.119           | 30.207             | 725              | 70.051             |
| <b>Total Liabilities</b>  | <b>6.577.363</b> | <b>10.766.282</b>  | <b>1.007</b>     | <b>17.344.652</b>  |
| <b>Net Balance Sheet Position</b>   | <b>(168.267)</b> | <b>(1.169.045)</b> | <b>116.048</b>   | <b>(1.221.264)</b> |
| <b>Net Off-Balance Sheet Position</b>   | <b>(39.319)</b>  | <b>1.193.625</b>   | <b>(115.507)</b> | <b>1.038.799</b>   |
| Financial Derivative Assets   | 684.079          | 3.030.332          | 149.221          | 3.863.632          |
| Financial Derivative Liabilities  | (723.398)        | (1.836.707)        | (264.728)        | (2.824.833)        |
| Non-Cash Loans (*****)  | 675.155          | 674.528            | 12.508           | 1.362.191          |
| <b>Prior Period</b>   |                  |                    |                  |                    |
| Total Assets  | 5.394.031        | 9.759.054          | 97.024           | 15.250.109         |
| Total Liabilities   | 5.743.610        | 9.757.191          | 5.612            | 15.506.413         |
| <b>Net Balance Sheet Position</b>   | <b>(349.579)</b> | <b>1.863</b>       | <b>91.412</b>    | <b>(256.304)</b>   |
| <b>Net Off –Balance Sheet Position</b>  | <b>234.076</b>   | <b>(61.765)</b>    | <b>(89.210)</b>  | <b>83.101</b>      |
| Financial Derivative Assets   | 957.928          | 1.807.942          | 122.609          | 2.888.479          |
| Financial Derivative Liabilities  | (723.852)        | (1.869.707)        | (211.819)        | (2.805.378)        |
| Non-Cash Loans (*****)  | 800.762          | 579.223            | 11.880           | 1.391.865          |

(\*) Exchange rate differences arising from derivative transactions amounting to TL 72.013 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 have not been included in "Miscellaneous Payables".

(\*\*\*\*\*) Marketable securities valuation decrease fund amounting to TL 21.452 and exchange rate differences arising from derivative transactions amounting to TL 68.546 have not been included in "Other Liabilities". Borrower funds amounting to TL 3.776 based on foreign currencies have been included in "Other Liabilities".

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



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**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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

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

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

| Current Period  | Up to 1<br>Month | 1-3<br>Months    | 3-12<br>Months   | 1-5<br>Years       | 5 Years<br>and<br>Over | Non-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          | -                | -                | -                  | -                      | 343.645                     | 869.422            |
| Banks   | 751.762          | 92.403           | -                | -                  | -                      | 26.459                      | 870.624            |
| Financial Assets at Fair Value<br>Through Profit and Loss   | 6.651            | 63.262           | 73.900           | 45.270             | 4.930                  | 2.096                       | 196.109            |
| Money Market Placements   | 1.168.985        | 55.103           | -                | -                  | -                      | -                           | 1.224.088          |
| Available-for-Sale Financial Assets   | 429.087          | 890.881          | 528.561          | 756.714            | 603.111                | 41.569                      | 3.249.923          |
| Loans   | 1.861.693        | 5.878.892        | 4.871.830        | 2.357.247          | 452.481                | -                           | 15.422.143         |
| Held-to-Maturity Investments  | -                | 40.638           | 710.174          | -                  | 157.279                | -                           | 908.091            |
| Other Assets  | 26.704           | 2.013            | 14.242           | 479                | -                      | 1.014.148                   | 1.057.586          |
| <b>Total Assets</b>   | <b>4.770.659</b> | <b>7.023.192</b> | <b>6.198.707</b> | <b>3.159.710</b>   | <b>1.217.801</b>       | <b>1.427.917</b>            | <b>23.797.986</b>  |
| <b>Liabilities</b>  |                  |                  |                  |                    |                        |                             |                    |
| Bank Deposits   | -                | -                | -                | -                  | -                      | -                           | -                  |
| Other Deposits  | -                | -                | -                | -                  | -                      | -                           | -                  |
| Money Market Borrowings   | 2.523.420        | 68               | -                | -                  | -                      | -                           | 2.523.488          |
| Miscellaneous Payables  | -                | -                | -                | -                  | -                      | 146.405                     | 146.405            |
| Marketable Securities Issued  | -                | -                | -                | 3.058.562          | -                      | -                           | 3.058.562          |
| Funds Provided from Other<br>Financial Institutions   | 1.359.363        | 5.396.339        | 4.677.926        | 1.351.943          | 1.715.328              | -                           | 14.500.899         |
| Other Liabilities (**)  | 18.248           | 66.964           | 76.282           | 30.633             | -                      | 3.376.505                   | 3.568.632          |
| <b>Total Liabilities</b>  | <b>3.901.031</b> | <b>5.463.371</b> | <b>4.754.208</b> | <b>4.441.138</b>   | <b>1.715.328</b>       | <b>3.522.910</b>            | <b>23.797.986</b>  |
| <b>Balance Sheet Long Position</b>  | <b>869.628</b>   | <b>1.559.821</b> | <b>1.444.499</b> | <b>-</b>           | <b>-</b>               | <b>-</b>                    | <b>3.873.948</b>   |
| <b>Balance Sheet Short Position</b>   | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>(1.281.428)</b> | <b>(497.527)</b>       | <b>(2.094.993)</b>          | <b>(3.873.948)</b> |
| <b>Off-Balance Sheet Long Position</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>631</b>         | <b>-</b>               | <b>-</b>                    | <b>631</b>         |
| <b>Off-Balance Sheet Short Position</b>   | <b>(2.271)</b>   | <b>(9.566)</b>   | <b>(4.597)</b>   | <b>-</b>           | <b>-</b>               | <b>-</b>                    | <b>(16.434)</b>    |
| <b>Total Position</b>   | <b>867.357</b>   | <b>1.550.255</b> | <b>1.439.902</b> | <b>(1.280.797)</b> | <b>(497.527)</b>       | <b>(2.094.993)</b>          | <b>(15.803)</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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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**  
**(Continued)**

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

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

| Prior Period   | 1 Month            | 1-3 Months       | 3-12 Months      | 1-5 Years        | 5 Years and Over | Non-interest bearing (*) | Total             |
|--|--------------------|------------------|------------------|------------------|------------------|--------------------------|-------------------|
| <b>Assets</b>  |                    |                  |                  |                  |                  |                          |                   |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey | 565.428            | -                | -                | -                | -                | 245.695                  | 811.123           |
| Banks  | 734.646            | -                | -                | -                | -                | 16.899                   | 751.545           |
| Financial Assets at Fair Value Through Profit and Loss   | 23.811             | 35.528           | 95.085           | 26.162           | 28.604           | 381                      | 209.571           |
| Money Market Placements  | 895.490            | 185.234          | -                | -                | -                | -                        | 1.080.724         |
| Available-for-Sale Financial Assets  | 400.458            | 297.496          | 921.268          | 743.477          | 571.249          | 38.214                   | 2.972.162         |
| Loans  | 2.069.051          | 4.096.269        | 5.490.171        | 1.563.995        | 344.646          | 68.997                   | 13.633.129        |
| Held-to-Maturity Investments   | 168.466            | 508.599          | 38.129           | -                | 157.408          | -                        | 872.602           |
| Other Assets   | 4.819              | 1.098            | 3.227            | -                | -                | 1.026.580                | 1.035.724         |
| <b>Total Assets</b>  | <b>4.862.169</b>   | <b>5.124.224</b> | <b>6.547.880</b> | <b>2.333.634</b> | <b>1.101.907</b> | <b>1.396.766</b>         | <b>21.366.580</b> |
| <b>Liabilities</b>   |                    |                  |                  |                  |                  |                          |                   |
| Bank Deposits  | -                  | -                | -                | -                | -                | -                        | -                 |
| Other Deposits   | -                  | -                | -                | -                | -                | -                        | -                 |
| Money Market Borrowings  | 2.349.479          | 1.061            | -                | -                | -                | -                        | 2.350.540         |
| Miscellaneous Payables   | -                  | -                | -                | -                | -                | 129.298                  | 129.298           |
| Marketable Securities Issued   | -                  | -                | -                | 2.037.571        | -                | -                        | 2.037.571         |
| Funds Provided from Other Financial Institutions   | 3.756.234          | 4.477.916        | 2.712.656        | 1.030.069        | 1.610.792        | -                        | 13.587.667        |
| Other Liabilities (**)   | 54.685             | 43.100           | 86.427           | 18.731           | 8.483            | 3.050.078                | 3.261.504         |
| <b>Total Liabilities</b>   | <b>6.160.398</b>   | <b>4.522.077</b> | <b>2.799.083</b> | <b>3.086.371</b> | <b>1.619.275</b> | <b>3.179.376</b>         | <b>21.366.580</b> |
| Balance Sheet Long Position  | -                  | 602.147          | 3.748.797        | -                | -                | -                        | 4.350.944         |
| Balance Sheet Short Position   | (1.298.229)        | -                | -                | (752.737)        | (517.368)        | (1.782.610)              | (4.350.944)       |
| Off-Balance Sheet Long Position  | -                  | -                | 430.571          | -                | -                | -                        | 430.571           |
| Off-Balance Sheet Short Position   | (378.023)          | (91.039)         | -                | (1.081)          | (6.715)          | -                        | (476.858)         |
| <b>Total Position</b>  | <b>(1.676.252)</b> | <b>511.108</b>   | <b>4.179.368</b> | <b>(753.818)</b> | <b>(524.083)</b> | <b>(1.782.610)</b>       | <b>(46.287)</b>   |

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

**III. Explanations related to consolidated 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  | 1,04        | 1,33             | -          | 11,31     |
| Financial Assets at Fair Value Through Profit and Loss   | -           | -                | -          | 10,71     |
| Money Market Placements  | -           | -                | -          | 10,34     |
| Available-for-Sale Financial Assets  | 5,59        | 4,71             | -          | 10,15     |
| Loans  | 3,47        | 5,14             | -          | 12,33     |
| Held-to-Maturity Investments   | -           | 5,59             | -          | 10,18     |
| <b>Liabilities</b>   |             |                  |            |           |
| Bank Deposits  | -           | -                | -          | -         |
| Other Deposits   | -           | -                | -          | -         |
| Money Market Borrowings  | 0,26        | 0,52             | -          | 8,26      |
| Miscellaneous Payables   | -           | -                | -          | -         |
| Marketable Securities Issued   | -           | 5,38             | -          | -         |
| Borrower Funds   | 0,25        | 0,50             | -          | 6,00      |
| Funds Provided From Other Financial Institutions   | 0,87        | 1,99             | -          | 9,07      |

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

**III. Explanations related to consolidated 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  | 1,26        | 0,98             | -          | 13,64     |
| Financial Assets at Fair Value Through Profit and Loss   | -           | -                | -          | 10,34     |
| Money Market Placements  | -           | -                | -          | 12,93     |
| Available-for-Sale Financial Assets  | 5,62        | 4,87             | -          | 10,38     |
| Loans  | 3,54        | 4,70             | -          | 11,98     |
| Held-to-Maturity Investments   | -           | 6,00             | -          | 10,04     |
| <b>Liabilities</b>   |             |                  |            |           |
| Bank Deposits  | -           | -                | -          | -         |
| Other Deposits   | -           | -                | -          | -         |
| Money Market Borrowings  | 0,55        | 0,50             | -          | 10,52     |
| Miscellaneous Payables   | -           | -                | -          | -         |
| Marketable Securities Issued   | -           | 5,24             | -          | -         |
| Borrower Funds   | 0,50        | 0,50             | -          | 6,00      |
| Funds Provided From Other Financial Institutions   | 0,89        | 1,60             | -          | 10,84     |

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

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

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

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

| <b>Current Period</b>                | <b>Comparison</b> |                   |                     |
|--------------------------------------|-------------------|-------------------|---------------------|
| <b>Share Certificate Investments</b> | <b>Book Value</b> | <b>Fair Value</b> | <b>Market Value</b> |
| <b>Investment in Shares-Grade A</b>  | <b>269.234</b>    | <b>-</b>          | <b>207.634</b>      |
| Quoted                               | 269.234           | -                 | 207.634             |

| <b>Prior Period</b>                  | <b>Comparison</b> |                   |                     |
|--------------------------------------|-------------------|-------------------|---------------------|
| <b>Share Certificate Investments</b> | <b>Book Value</b> | <b>Fair Value</b> | <b>Market Value</b> |
| <b>Investment in Shares-Grade A</b>  | <b>258.148</b>    | <b>-</b>          | <b>156.691</b>      |
| Quoted                               | 258.148           | -                 | 156.691             |

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

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

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

| Current Period                                   | Realized<br>Revenues and<br>Losses in Period | Revaluation Value<br>Increases |                             | Unrealized Gains and Losses |                                |   |
|--|--|--------------------------------|-----------------------------|-----------------------------|--------------------------------|---|
| Portfolio  |  | Total                          | Included in<br>Core Capital | Total                       | Included<br>in Core<br>Capital | Included in<br>Supplementary<br>Capital |
| Private Equity Investments                       | -  | -                              | -                           | -                           | -                              | -                                       |
| Share Certificates Quoted on<br>a Stock Exchange | -  | -                              | -                           | (610)                       | (610)                          | -                                       |
| Other Share Certificates                         | 114  | 5,189                          | 5,189                       | -                           | -                              | -                                       |
| <b>Total</b>                                     | <b>114</b>                                   | <b>5,189</b>                   | <b>5,189</b>                | <b>(610)</b>                | <b>(610)</b>                   | <b>-</b>                                |

| Prior Period                                     | Realized<br>Revenues and<br>Losses in Period | Revaluation Value<br>Increases |                             | Unrealized Gains and Losses |                                |   |
|--|--|--------------------------------|-----------------------------|-----------------------------|--------------------------------|---|
| Portfolio  |  | Total                          | Included in<br>Core Capital | Total                       | Included<br>in Core<br>Capital | Included in<br>Supplementary<br>Capital |
| Private Equity Investments                       | -  | -                              | -                           | -                           | -                              | -                                       |
| Share Certificates Quoted on<br>a Stock Exchange | -  | -                              | -                           | (949)                       | (949)                          | -                                       |
| Other Share Certificates                         | -  | 3,880                          | 3,880                       | -                           | -                              | -                                       |
| <b>Total</b>                                     | <b>-</b>                                     | <b>3,880</b>                   | <b>3,880</b>                | <b>(949)</b>                | <b>(949)</b>                   | <b>-</b>                                |

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

The Parent Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The Parent Bank does not invest into illiquid markets and instruments. The liquidity ratios are followed up and the maturity match and the coverage of liquidity need are targeted in the context of asset-liability management. Although the Parent Bank started to perform tests to calculate liquidity risk with internal models, the risk is still followed up basically by arranging the risks with respect to (holding period) data. For the purpose of meeting the liquidity requirement, the Parent Bank chooses one of the four or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Parent Bank's liquidity management is implemented by meeting all the obligations on time considering the Parent Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances. The Parent Bank meets its short term liquidity requirements with repurchase agreements and inter-bank money market operations. The Parent Bank may also use its available for sale portfolio for urgent liquidity requirement. The Parent Bank meets its long term liquidity needs from the international institutions through borrowings.

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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**  
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**V. Consolidated liquidity risk management and coverage ratio (continued)**

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

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

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

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

Regarding its risk appetite, in addition to legal limits, the Parent Bank also applies internal limits for monitoring and controlling the liquidity risk. In this context, it is limited by minimum 25% for the ratio of cash inflow to cash outflow, and by minimum 20% for the ratio of the difference between total inflow and total outflow to total asset within three months' term. It is determined the base limit as 15% for Liquidity ratio (Liquid Asset/ Total Asset).

Internal limits are applied on concentrations basis for single currency, single security and single instrument for the Parent Bank's Treasury placements within Treasury Risk Limits, in purpose of decreasing the liquidity risk related to concentration risk.

Consolidated liquidity risk management is conducted by Treasury department in line with the strategies set by Asset and Liability Committee within The Risk Management Policies approved by Board of Directors, and is monitored through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments. Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Parent Bank, monitoring the implementations and functions under The General Instruction of Asset and Liability Committee Duties and Responsibilities.

The committee that constitutes of Chief Executive Officer, Executive Vice Presidents of Corporate Banking, Treasury, Budget Planning and Department Heads of Corporate Banking, Project Finance, Treasury, Development Finance Institutions, Financial Institutions and Budget Planning and Investor Relations evaluates the market, regulations, cashflow and asset and liability management on monthly basis.

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**V. Consolidated liquidity risk management and coverage ratio (continued)**

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

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

Budget Planning and Investor Relations Department is responsible for consolidating the reports to be submitted to Committee, organizing, having signed and archiving the Committee moments and informing the Committee members.

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

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

MIS reportings for the Parent Bank Treasury Department are conducted by Treasury Control Unit under Budget Planning and Investor Relations Department. Within this scope Treasury Control Unit shares liquidity projections for following 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 consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries**

There is no liquidity management structure requiring centralization between the Parent Bank and its subsidiaries.

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

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



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

**V. Consolidated liquidity risk management and coverage ratio (continued)**

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

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

Within the scope of the Parent Bank's balance sheet management, local currency and foreign currency cashflows are monitored diversely. On principal, open position risk is managed actively as a part of liquidity risk management and in context of this strategy required hedging transactions are executed by Treasury Department.

**1.d Information on consolidated liquidity risk mitigation techniques:**

Consolidated Liquidity limits are defined for the purpose of monitoring and keeping the risk under predefined boundaries. The Parent Bank monitors those limits' utilization and informs Board of Directors, Bank Senior Management and relevant departments regularly. Pursuant to that, the ratio of cash inflows to cash outflows within three months' term is limited to at least 25% whereas for the same term the ratio of the difference between total inflows and total outflows to total assets is limited to at most 20%. The Bank follow cash inflow and cash outflow on a regular basis and informs Parent Bank's Board of Directors and the Bank's senior management and the relevant departments.

In this context, the ratio of total cash outflow of total cash inflow in the three-month period at least 25%, with the total entries in the same period to total assets ratio of the difference between the total output is limited to a maximum of 20%. The base limit for Consolidated Liquidity Ratio (Consolidated Liquid Assets Consolidated Total Assets) is defined as 15%. Within those limits, Treasury Department performs the required transactions with the relevant cost and term composition under market conditions from the sources previously defined in Article C. Adequate limits to be utilized in a contingent case remains at the disposal before legal authority.

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

As part of consolidated liquidity stress tests, the Parent Bank's compatibility with the legal limits under stress conditions is subject to probe. The legal limits assigned for liquidity risk management consists of five ratios derived from The Regulation on Liquidity Adequacy Ratio and liquidity coverage ratio derived from The Regulation on Liquidity Coverage Ratio. Stress tests are performed over those ratios' calculations by practicing liquidity shocks while assuming that the nonshocked components are held constant. Among liquidity stress tests, the risks arising from funding, intraday liquidity, marketable securities and concentration are addressed. Subject to those, the scenarios of possible funding shortage in Interbank Money Market, liquidity shortage that may arise in private sector and the risk originating from loan portfolio due to the concentration risk are applied seperately on overall portfolio of the Parent Bank.

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**(Continued)**

**V. Consolidated liquidity risk management and coverage ratio (continued)**

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

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

There is a Contingency Funding Plan for the contingent periods that arises beyond the Parent Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cashflow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cashflow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Parent Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Parent Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Parent Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

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**V. Consolidated liquidity risk management and coverage ratio (continued)**

**2. Consolidated Liquidity Coverage Ratio**

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months consolidated foreign currency and total liquidity coverage ratio and unconsolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

| Current 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  |   |                  | 862.085   | 688.323          |
| <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                                 | 813.877   | 363.898          | 729.917   | 281.901          |
| 6 Operational deposits  | 9.961   | 7.344            | 2.490   | 1.836            |
| 7 Non-Operational Deposits  | -   | -                | -   | -                |
| 8 Other Unsecured Funding   | 803.916   | 356.554          | 727.427   | 280.065          |
| 9 Secured funding   | -   | -                | -   | -                |
| 10 Other Cash Outflows  | 1.659.401   | 1.509.909        | 1.659.401   | 1.509.909        |
| 11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions          | 1.659.401   | 1.509.909        | 1.659.401   | 1.509.909        |
| 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 | 2.907.753   | 1.267.187        | 145.388   | 63.359           |
| 15 Other irrevocable or conditionally revocable commitments   | 4.132.026   | 3.817.226        | 495.209   | 456.648          |
| 16 <b>TOTAL CASH OUTFLOWS</b>   |   |                  | <b>3.029.915</b>  | <b>2.311.817</b> |
| <b>CASH INFLOWS</b>   |   |                  |   |                  |
| 17 Secured Lending Transactions   | 285   | -                | -   | -                |
| 18 Unsecured Lending Transactions   | 3.128.105   | 702.026          | 2.848.334   | 566.875          |
| 19 Other contractual cash inflows   | 1.638.608   | 588.547          | 1.638.608   | 588.547          |
| 20 <b>TOTAL CASH INFLOWS</b>  | <b>4.766.998</b>  | <b>1.290.573</b> | <b>4.486.942</b>  | <b>1.155.422</b> |
|   |   |                  | Upper Limit Applied Amounts   |                  |
| 21 <b>TOTAL HQLA STOCK</b>  |   |                  | <b>862.085</b>  | <b>688.323</b>   |
| 22 <b>TOTAL NET CASH OUTFLOWS</b>   |   |                  | <b>757.479</b>  | <b>1.156.395</b> |
| 23 <b>Liquidity Coverage Ratio (%)</b>  |   |                  | <b>115</b>  | <b>61</b>        |

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

**V. Consolidated liquidity risk management and coverage ratio (continued)**

**2. Consolidated Liquidity Coverage Ratio (continued)**

| Prior Period  | Rate of "Percentage to be taken into account" not Implemented Total value |                  | Rate of "Percentage to be taken into account" Implemented Total value |                  |
|---|---|------------------|---|------------------|
|   | TL+FC   | FC               | TL+FC   | FC               |
| <b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>  |   |                  |   |                  |
| 1 High quality liquid assets  |   |                  | 662.349   | 566.651          |
| <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                                 | 846.771   | 344.742          | 769.696   | 268.050          |
| 6 Operational deposits  | 42.819  | 40.664           | 10.705  | 10.166           |
| 7 Non-Operational Deposits  | -   | -                | -   | -                |
| 8 Other Unsecured Funding   | 803.952   | 304.078          | 758.991   | 257.884          |
| 9 Secured funding   | -   | -                | -   | -                |
| 10 Other Cash Outflows  | 1.774.601   | 1.630.234        | 1.564.315   | 1.419.948        |
| 11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions          | 1.774.601   | 1.630.234        | 1.564.315   | 1.419.948        |
| 12 Debts related to the structured financial products   | -   | -                | -   | -                |
| 13 Commitment related to debts to financial markets and other off balance sheet liabilities                 | -   | -                | -   | -                |
| 14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 3.353.911   | 1.152.438        | 126.005   | 57.622           |
| 15 Other irrevocable or conditionally revocable commitments   | 4.308.006   | 4.004.484        | 598.798   | 562.384          |
| 16 <b>TOTAL CASH OUTFLOWS</b>   |   |                  | <b>3.058.814</b>  | <b>2.308.004</b> |
| <b>CASH INFLOWS</b>   |   |                  |   |                  |
| 17 Secured Lending Transactions   | 515   | -                | -   | -                |
| 18 Unsecured Lending Transactions   | 2.092.124   | 671.847          | 1.883.917   | 584.961          |
| 19 Other contractual cash inflows   | 1.681.491   | 434.107          | 1.571.819   | 427.725          |
| 20 <b>TOTAL CASH INFLOWS</b>  | <b>3.774.130</b>  | <b>1.105.954</b> | <b>3.455.736</b>  | <b>1.012.686</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>764.704</b>  | <b>1.295.318</b> |
| 23 <b>Liquidity Coverage Ratio (%)</b>  |   |                  | <b>92</b>   | <b>46</b>        |

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**(Continued)**

**V. Consolidated liquidity risk management and coverage ratio (continued)**

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

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

Borrowing Securities that mainly comprised of government securities and Required Reserves are major components of High Quality Liquid Assets that affect consolidated Liquidity Coverage Ratio essentially. Depending on the market conditions and the Parent Bank's Treasury Department's decisions the proportion of local currency and foreign currency based securities within Borrowing Securities may vary.

**3.b Information on the components of High Quality Liquid Assets**

High Quality Liquid Assets mainly 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 Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 65% while 88% of it is provided under the guarantee of The Undersecretariat of Treasury of Turkish Republic. The average tenor of long term loans is 11 years. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 16%. 19% of the Parent Bank's total funding is attained through repo transactions.

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

The Parent Bank's derivative transactions are mainly executed with the counterparties having ISDA and CSA agreements due to the client transactions and position hedging within Bank's balance sheet management. Those transactions are monitored through market valuation of the transactions with each of the counterparties. Collateralization with counterparties is executed on daily basis.

**3.d Counterparty and product-based funding sources and collateral concentration limits**

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

**3.e Taking into account the legal and operational consolidated liquidity transfer inhibiting factors, the nede funds and the consolidated liquidity risk exposure based on the Parent Bank itself, the branches in foreign countries and consolidated partnerships**

None.

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

None.

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**(Continued)**

**V. Consolidated liquidity risk management and coverage ratio (continued)**

*Presentation of assets and liabilities according to their remaining maturities*

|  | Demand         | Up to 1 Month    | 1-3 Months       | 3-12 Months      | 1-5 Years        | 5 Years and Over | Undistributed (*)  | Total             |
|--|----------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|
| <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 | 343.645        | 525.777          | -                | -                | -                | -                | -                  | 869.422           |
| Banks  | 26.459         | 751.762          | 92.403           | -                | -                | -                | -                  | 870.624           |
| Financial Assets at Fair Value Through Profit and Loss   | 2.096          | 3.934            | 16.541           | 45.745           | 22.831           | 104.962          | -                  | 196.109           |
| Money Market Placements  | -              | 1.168.985        | 55.103           | -                | -                | -                | -                  | 1.224.088         |
| Financial Assets Available-for-Sale  | -              | 16.068           | 199.078          | 711.744          | 1.146.519        | 1.134.945        | 41.569             | 3.249.923         |
| Loans  | -              | 667.062          | 956.636          | 3.252.126        | 7.291.195        | 3.255.124        | -                  | 15.422.143        |
| Held-to-Maturity Investments   | -              | -                | -                | -                | 204.933          | 703.158          | -                  | 908.091           |
| Other Assets   | -              | -                | 469              | 469              | 28.727           | 13.773           | 1.014.148          | 1.057.586         |
| <b>Total Assets</b>  | <b>372.200</b> | <b>3.133.588</b> | <b>1.320.230</b> | <b>4.010.084</b> | <b>8.694.205</b> | <b>5.211.962</b> | <b>1.055.717</b>   | <b>23.797.986</b> |
| <b>Liabilities</b>   |                |                  |                  |                  |                  |                  |                    |                   |
| Bank Deposits  | -              | -                | -                | -                | -                | -                | -                  | -                 |
| Other Deposits   | -              | -                | -                | -                | -                | -                | -                  | -                 |
| Funds Provided from Other Financial Institutions   | -              | 529.072          | 436.041          | 1.893.133        | 5.610.459        | 6.032.194        | -                  | 14.500.899        |
| Money Market Borrowings  | -              | 2.523.420        | 68               | -                | -                | -                | -                  | 2.523.488         |
| Securities Issued  | -              | -                | -                | -                | 3.058.562        | -                | -                  | 3.058.562         |
| Miscellaneous Payables   | -              | -                | -                | -                | -                | -                | 146.405            | 146.405           |
| Other Liabilities (**)   | -              | 8.898            | 11.138           | 41.639           | 63.559           | 66.893           | 3.376.505          | 3.568.632         |
| <b>Total Liabilities</b>   | <b>-</b>       | <b>3.061.390</b> | <b>447.247</b>   | <b>1.934.772</b> | <b>8.732.580</b> | <b>6.099.087</b> | <b>3.522.910</b>   | <b>23.797.986</b> |
| <b>Liquidity Gap</b>   | <b>372.200</b> | <b>72.198</b>    | <b>872.983</b>   | <b>2.075.312</b> | <b>(38.375)</b>  | <b>(887.125)</b> | <b>(2.467.193)</b> | <b>-</b>          |
| Net Off-balance sheet Position   | -              | (7.621)          | (5.609)          | 157              | (9.476)          | 6.746            | -                  | (15.803)          |
| Financial Derivative Assets  | -              | 1.325.425        | 932.711          | 1.581.909        | 5.889.191        | 3.331.716        | -                  | 13.060.952        |
| Financial Derivative Liabilities   | -              | 1.333.046        | 938.320          | 1.581.752        | 5.898.667        | 3.324.970        | -                  | 13.076.755        |
| Non-cash Loans (***)   | -              | 33.341           | 30.161           | 45.822           | 375.663          | 627.753          | 494.207            | 1.606.947         |
| <b>Prior Period</b>  |                |                  |                  |                  |                  |                  |                    |                   |
| Total Assets   | 331.972        | 2.677.611        | 908.862          | 3.125.192        | 8.250.052        | 5.008.097        | 1.064.794          | 21.366.580        |
| Total Liabilities  | -              | 2.905.051        | 201.890          | 1.857.520        | 7.335.802        | 5.886.941        | 3.179.376          | 21.366.580        |
| <b>Liquidity Gap</b>   | <b>331.972</b> | <b>(227.440)</b> | <b>706.972</b>   | <b>1.267.672</b> | <b>914.250</b>   | <b>(878.844)</b> | <b>(2.114.582)</b> | <b>-</b>          |
| Net Off-balance sheet Position   | -              | (4.506)          | (9.660)          | (18.966)         | (15.589)         | 2.434            | -                  | (46.287)          |
| Financial Derivative Assets  | -              | -                | -                | -                | -                | 2.434            | -                  | 2.434             |
| Financial Derivative Liabilities   | -              | (4.506)          | (9.660)          | (18.966)         | (15.589)         | -                | -                  | (48.721)          |
| Non-cash Loans (***)   | -              | 7.770            | 6.596            | 173.789          | 707.238          | 586.622          | 300.649            | 1.782.664         |

(\*) Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

(\*\*) Borrower funds amounting to TL 5.196 are presented in "Other Liabilities" within 1-month maturity column.

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

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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT**  
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**VI. Explanations related to consolidated leverage ratio**

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

As of 30 September 2016, leverage ratio of the Group calculated from the arithmetic average of the three months is 10,98% . Leverage ratio is almost on the same level in the current and prior period.

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

|          |  | <b>Prior Period(*)</b> | <b>Current Period(*)</b> |
|----------|--|------------------------|--------------------------|
| <b>1</b> | Total assets in the consolidated financial statements prepared in accordance with TAS (**)   | 21.372.991             | 22.546.046               |
| <b>2</b> | Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks (**) | 6.411                  | (3.224)                  |
| <b>3</b> | Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures            | (162.203)              | (229.866)                |
| <b>4</b> | Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures                                      | 2.643.939              | 2.627.488                |
| <b>5</b> | Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures   | (3.342.558)            | (3.252.033)              |
| <b>6</b> | Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures   | -                      | -                        |
| <b>7</b> | <b>Total Risk</b>  | <b>24.912.639</b>      | <b>27.656.893</b>        |

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

(\*\*)The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks. 30 June 2016 figures used in this table due to the current period and 31 December 2015 for prior period consolidated financial statements prepared in accordance with TAS are not audited as of the date of this report.

**c) Consolidated Leverage Ratio**

|           |   | <b>Prior Period(*)</b> | <b>Current Period(*)</b> |
|-----------|---|------------------------|--------------------------|
|           | <b>Balance sheet Assets</b>   |                        |                          |
| <b>1</b>  | Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)            | 20.905.403             | 23.408.855               |
| <b>2</b>  | (Assets deducted from Core capital)   | (144.826)              | (71.928)                 |
| <b>3</b>  | <b>Total risk amount of balance sheet assets (sum of lines 1 and 2)</b>   | <b>20.760.577</b>      | <b>23.336.927</b>        |
|           | <b>Derivative financial assets and credit derivatives</b>   |                        |                          |
| <b>4</b>  | Cost of replenishment for derivative financial assets and credit derivatives  | 202.409                | 221.764                  |
| <b>5</b>  | Potential credit risk amount of derivative financial assets and credit derivatives                                    | 133.681                | 184.759                  |
| <b>6</b>  | <b>Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)</b>                 | <b>336.090</b>         | <b>406.523</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                                     | 384.493                | 374.005                  |
| <b>8</b>  | Risk amount arising from intermediary transactions  | 89.710                 | 47.526                   |
| <b>9</b>  | <b>Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)</b> | <b>474.203</b>         | <b>421.531</b>           |
|           | <b>Off-balance sheet transactions</b>   |                        |                          |
| <b>10</b> | Gross notional amount of off-balance sheet transactions   | 6.684.327              | 6.743.945                |
| <b>11</b> | (Correction amount due to multiplication with credit conversion rates)  | (3.342.558)            | (3.252.033)              |
| <b>12</b> | <b>Total risk of off-balance sheet transactions (sum of lines 10 and 11)</b>  | <b>3.341.769</b>       | <b>3.491.912</b>         |
|           | <b>Capital and total risk</b>   |                        |                          |
| <b>13</b> | Core Capital  | 2.710.475              | 3.035.585                |
| <b>14</b> | <b>Total risk amount (sum of lines 3, 6, 9 and 12)</b>  | <b>24.912.639</b>      | <b>27.656.893</b>        |
|           | <b>Leverage ratio</b>   |                        |                          |
| <b>15</b> | <b>Leverage ratio</b>   | <b>10,88%</b>          | <b>10,98%</b>            |

(\*) Arithmetic average of the last 3 months in the related periods.

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**VII. Explanations on Consolidated 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 the tables stated below 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
- 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)                                      | 18.175.553           | 16.197.555        | 1.454.044                   |
| 2  | Standardised approach   | 18.175.553           | 16.197.555        | 1.454.044                   |
| 3  | Internal rating-based approach  | -                    | -                 | -                           |
| 4  | Counterparty credit risk  | 614.300              | 347.511           | 49.144                      |
| 5  | Standardised approach for counterparty credit risk                                    | 614.300              | 347.511           | 49.144                      |
| 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   | 671.575              | 529.263           | 53.726                      |
| 17 | Standardised approach   | 671.575              | 529.263           | 53.726                      |
| 18 | Internal model approaches   | -                    | -                 | -                           |
| 19 | Operational risk  | 1.113.544            | 1.016.000         | 89.084                      |
| 20 | Basic indicator approach  | 1.113.544            | 1.016.000         | 89.084                      |
| 21 | 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>20.574.972</b>    | <b>18.090.329</b> | <b>1.645.998</b>            |



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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

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

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

|  | Current Period |                | Prior Period  |                |
|--|----------------|----------------|---------------|----------------|
|  | TL             | FC             | TL            | FC             |
| Cash in TL/Foreign Currency              | 28             | -              | 21            | -              |
| Balances with the Central Bank of Turkey | 19.091         | 850.303        | 40.426        | 770.676        |
| Other                                    | -              | -              | -             | -              |
| <b>Total</b>                             | <b>19.119</b>  | <b>850.303</b> | <b>40.447</b> | <b>770.676</b> |

|                              | 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 Central Bank of Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-days periods. In accordance with the related communiqué, no interest is paid for reserve requirements. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

In accordance with the regulation issued at 27 January 2015, CBRT has began to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. 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 include) | 10,5          |
| Other liabilities until 3 year maturity (3 year include) | 7             |
| Other liabilities more than 5 year maturity              | 4             |

| Reserve Rates for FC Liabilities (%)                      |  |   |
|---|--|---|
| Original Maturity   | Reserve Ratio<br>If the fund borrowed<br>Before 28.08.2015 | Reserve Ratio<br>If the fund borrowed<br>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 CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

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

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

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

As of the reporting date, the Group's trading securities given as collateral or blockage amounted to TL 2.979 (31 December 2015: TL 2.544).

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

As of the reporting date, the Group has no trading securities subject to repurchase agreements (31 December 2015: None).

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

**2.a.2.a Information on financial assets designated at fair value through profit and loss given as collateral or blockage:**

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2015: None).

**2.a.2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements:**

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

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

| Derivative Instruments Held for Trading | Current Period |                | Prior Period  |                |
|---|----------------|----------------|---------------|----------------|
|   | TL             | FC             | TL            | FC             |
| Forward Transactions                    | 3.443          | 2.747          | 769           | 2.606          |
| Swap Transactions                       | 14.036         | 109.273        | 9.239         | 83.584         |
| Futures Transactions                    | -              | -              | -             | -              |
| Options                                 | -              | 47.158         | -             | 73.596         |
| Other                                   | -              | -              | -             | -              |
| <b>Total</b>                            | <b>17.479</b>  | <b>159.178</b> | <b>10.008</b> | <b>159.786</b> |

**3 Information on banks and foreign bank accounts:**

**3.a Information on banks:**

|                                 | Current Period |                | Prior Period  |                |
|---------------------------------|----------------|----------------|---------------|----------------|
|                                 | TL             | FC             | TL            | FC             |
| Banks                           |                |                |               |                |
| Domestic                        | 420.604        | 388.513        | 72.617        | 641.420        |
| Foreign                         | 4.000          | 57.507         | -             | 37.508         |
| Branches and head office abroad | -              | -              | -             | -              |
| <b>Total</b>                    | <b>424.604</b> | <b>446.020</b> | <b>72.617</b> | <b>678.928</b> |

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**SECTION FIVE (Continued)**

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

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

**3. Information on banks and foreign bank accounts (continued)**

**3.b Information on banks and foreign bank accounts:**

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 financial assets available-for-sale**

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

|                                      | Current Period   |               | Prior Period     |               |
|--------------------------------------|------------------|---------------|------------------|---------------|
|                                      | TL               | FC            | TL               | FC            |
| Government bonds                     | 1.257.388        | -             | 1.506.099        | -             |
| Treasury bills                       | -                | -             | -                | -             |
| Other public sector debt securities  | -                | 95.967        | -                | 76.662        |
| Bank bonds and bank guaranteed bonds | -                | -             | -                | -             |
| Asset backed securities              | -                | -             | -                | -             |
| Other                                | -                | -             | -                | -             |
| <b>Total</b>                         | <b>1.257.388</b> | <b>95.967</b> | <b>1.506.099</b> | <b>76.662</b> |

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

All financial assets available for sale given as collateral comprise of financial assets are issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 945.569 (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 64,39%, Eurobonds 26,33% and shares and other securities 9,28% (31 December 2015: government bonds 60,33%, Eurobonds 27,97% and shares and other securities 11,70%).

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

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

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

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

|                            | <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         | 49.329                | 48.065              |
| Quoted on a stock exchange | 10.959                | 10.533              |
| Unquoted                   | 38.370                | 37.532              |
| Impairment provision(-)    | (23.906)              | (43.898)            |
| <b>Total</b>               | <b>3.249.923</b>      | <b>2.972.162</b>    |

The net book value of unquoted available for sale share certificates is TL 32.393 (31 December 2015: TL 28.037).

**5. Information on loans**

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

|  | <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 CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

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

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

| 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               | 70.163                               | -   | -        | -  | -   | -        |
| <b>Total</b>                    | <b>15.251.556</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 CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

- I. Explanations and disclosures related to the consolidated assets (continued)**
- 5. Explanations on loans (continued)**
- 5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):**

| 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           | 13.419.397                           | 44.435  | -        | 144.735  | 54.275  | 64.267        |
| Corporation loans               | 4.441.986                            | -   | -        | 8.867  | 8.867   | -             |
| Export loans                    | 115.914                              | -   | -        | -  | -   | -             |
| Import loans                    | -                                    | -   | -        | -  | -   | -             |
| Loans given to financial sector | 1.677.116                            | -   | -        | -  | -   | -             |
| Consumer loans                  | 228                                  | -   | -        | -  | -   | -             |
| Credit cards                    | -                                    | -   | -        | -  | -   | -             |
| Other                           | 7.184.153                            | 44.435  | -        | 135.868  | 45.408  | 64.267        |
| Specialized loans               | -                                    | -   | -        | -  | -   | -             |
| Other receivables               | 68.997                               | -   | -        | -  | -   | -             |
| <b>Total</b>                    | <b>13.488.394</b>                    | <b>44.435</b>   | <b>-</b> | <b>144.735</b>                                     | <b>54.275</b>   | <b>64.267</b> |

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**SECTION FIVE (Continued)**

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

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

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

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

| <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                                      | 123.747   |
| Extended for 3-4 or 5 times  | -   | -   |
| 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  | 44.435                                      | 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 and Over   | -   | 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  | 44.435                                      | -   |
| 5 Years and Over   | -   | 13.803  |

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**SECTION FIVE (Continued)**

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

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

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

**5.c Loans according to their maturity structure:**

| Current Period                         | Standard Loans and Other Receivables |                             | Loans and Other Receivables Under Close Monitoring |                             |
|--|--------------------------------------|-----------------------------|--|-----------------------------|
|  | Loans and Other Receivables (Total)  | Restructured or Rescheduled | Loans and Other Receivables (Total)                | Restructured or Rescheduled |
| Short-term loans and other receivables | 1.246.611                            | -                           | -  | -                           |
| Non-specialized loans                  | 1.176.448                            | -                           | -  | -                           |
| Specialized loans                      | -                                    | -                           | -  | -                           |
| Other receivables                      | 70.163                               | -                           | -  | -                           |
| 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 | 687.690                              | -                           | -  | -                           |
| Non-specialized loans                  | 618.693                              | -                           | -  | -                           |
| Specialized loans                      | -                                    | -                           | -  | -                           |
| Other receivables                      | 68.997                               | -                           | -  | -                           |
| Medium and Long-term loans             | 12.800.704                           | 44.435                      | 144.735  | 118.542                     |
| Non-specialized loans                  | 12.800.704                           | 44.435                      | 144.735  | 118.542                     |
| Specialized loans                      | -                                    | -                           | -  | -                           |
| Other receivables                      | -                                    | -                           | -  | -                           |



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**SECTION FIVE (Continued)**

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

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

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

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

| <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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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

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

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

| <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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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

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

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

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

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

|              | <b>Current Period</b> | <b>Prior Period</b> |
|--------------|-----------------------|---------------------|
| Public       | 149.581               | 32.171              |
| Private      | 15.272.562            | 13.600.958          |
| <b>Total</b> | <b>15.422.143</b>     | <b>13.633.129</b>   |

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

|                | <b>Current Period</b> | <b>Prior Period</b> |
|----------------|-----------------------|---------------------|
| Domestic Loans | 15.354.692            | 13.546.380          |
| Foreign Loans  | 67.451                | 86.749              |
| <b>Total</b>   | <b>15.422.143</b>     | <b>13.633.129</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               | 340.358             |
| Indirect loans granted to subsidiaries and associates | -                     | -                   |
| <b>Total</b>  | <b>277.438</b>        | <b>340.358</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                | 48.458                | 57.414              |
| <b>Total</b>                                       | <b>51.533</b>         | <b>61.017</b>       |

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

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

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

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

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

**5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:**

|  | <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>-</b>   | <b>57.414</b>                       |
| Additions (+)   | 2   | -  | 3.477                               |
| Transfers from Other Categories of Non-performing Loans (+) | -   | -  | -                                   |
| Transfers to Other Categories of Non-performing Loans (-)   | -   | -  | -                                   |
| Collections (-)   | (530)   | -  | (12.422)                            |
| Write-offs (-)  | -   | -  | (11)                                |
| Corporate and Commercial Loans                              | -   | -  | (11)                                |
| Retail Loans  | -   | -  | -                                   |
| Credit Cards  | -   | -  | -                                   |
| Other   | -   | -  | -                                   |
| <b>Current Period End Balance</b>                           | <b>3.075</b>                                      | <b>-</b>   | <b>48.458</b>                       |
| Specific Provisions (-)                                     | (3.075)   | -  | (48.458)                            |
| <b>Net Balance on Balance Sheet</b>                         | <b>-</b>  | <b>-</b>   | <b>-</b>                            |

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**SECTION FIVE (Continued)**

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

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

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

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

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

|   | <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>Prior Period</b>   |   |  |                                     |
| <b>Prior Period End Balance</b>                             | <b>4.456</b>                                      | <b>-</b>   | <b>13.982</b>                       |
| Additions (+)   | 43.354  | -  | 744                                 |
| Transfers from Other Categories of Non-performing Loans (+) | -   | 43.334   | 43.334                              |
| Transfers to Other Categories of Non-performing Loans (-)   | (43.334)  | (43.334)   | -                                   |
| Collections (-)   | (844)   | -  | (646)                               |
| Write-offs (-)  | (29)  | -  | -                                   |
| Corporate and Commercial Loans                              | (29)  | -  | -                                   |
| Retail Loans  | -   | -  | -                                   |
| Credit Cards  | -   | -  | -                                   |
| Other   | -   | -  | -                                   |
| <b>Current Period End Balance</b>                           | <b>3.603</b>                                      | <b>-</b>   | <b>57.414</b>                       |
| Specific Provisions (-)                                     | (3.603)   | -  | (57.414)                            |
| <b>Net Balance on Balance Sheet</b>                         | <b>-</b>  | <b>-</b>   | <b>-</b>                            |

**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 Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and 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   | -  | 38                                  |
| Specific Provision (-)              | (1.651)   | -  | (38)                                |
| <b>Net Balance on Balance Sheet</b> | <b>-</b>  | <b>-</b>   | <b>-</b>                            |

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

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

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

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

**5.j.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 With Limited Collectability | Loans and Receivables With Doubtful Collectability | Uncollectible Loans and Receivables |
| <b>Current Period (Net)</b>                      |   |  |                                     |
| Loans to Real Persons and Legal Entities (Gross) | 3.075   | -  | 47.105                              |
| Specific Provision Amount (-)                    | (3.075)   | -  | (47.105)                            |
| Loans to Real Persons and Legal Entities (Net)   | -   | -  | -                                   |
| Banks (Gross)                                    | -   | -  | -                                   |
| Specific Provision Amount (-)                    | -   | -  | -                                   |
| Banks (Net)                                      | -   | -  | -                                   |
| Other Loans and Receivables (Gross)              | -   | -  | 1.353                               |
| Specific Provision Amount (-)                    | -   | -  | (1.353)                             |
| Other Loans and Receivables (Net)                | -   | -  | -                                   |
| <b>Prior Period (Net)</b>                        |   |  |                                     |
| Loans to Real Persons and Legal Entities (Gross) | 3.603   | -  | 57.376                              |
| Specific Provision Amount (-)                    | (3.603)   | -  | (57.376)                            |
| Loans to Real Persons and Legal Entities (Net)   | -   | -  | -                                   |
| Banks (Gross)                                    | -   | -  | -                                   |
| Specific Provision Amount (-)                    | -   | -  | -                                   |
| Banks (Net)                                      | -   | -  | -                                   |
| Other Loans and Receivables (Gross)              | -   | -  | 38                                  |
| Specific Provision Amount (-)                    | -   | -  | (38)                                |
| Other Loans and Receivables (Net)                | -   | -  | -                                   |

**5.k Main principles of liquidating non performing 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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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**6. Information on held-to-maturity investments**

**6.1 The information was subjected to repo transactions and given as collateral/blocked amount of investments**

|                                    | Current Period |          | Prior Period   |          |
|------------------------------------|----------------|----------|----------------|----------|
|                                    | TL             | FC       | TL             | FC       |
| Collateralised/Blocked Investments | -              | -        | -              | -        |
| 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 Public Sector Debt 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 on a Stock Exchange      | 750.812        | 715.194        |
| Not Quoted                      | 157.964        | 157.408        |
| <b>Impairment provision (-)</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>Balance at Beginning of the Period</b>       | <b>872.602</b> | <b>-</b>       |
| Foreign Currency Differences on Monetary Assets | 4.547          | (789)          |
| Purchases During The Period (*)                 | -              | 851.290        |
| Disposals Through Sales And Redemptions         | (1.596)        | (5.832)        |
| Impairment Provision (-)                        | -              | -              |
| Interest Income Accruals                        | 32.538         | 27.933         |
| <b>Balance at End of Period</b>                 | <b>908.091</b> | <b>872.602</b> |

(\*) The Parent Bank reclassified "Government Bond with CPI Index" with a nominal value of TL 533.626 and "Eurobond" with nominal value of USD 34.577 from available-for-sale to held-to-maturity portfolio in the prior period.

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**SECTION FIVE (Continued)**

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

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

**7. Information on investments in associates (net):**

**7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:**

Unconsolidated non-financial associates are valued at cost.

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

|   | Title  | Address<br>(City/ Country) | Bank's share<br>percentage-If<br>different voting<br>percentage (%) | Bank's risk<br>group share<br>percentage<br>(%) |
|---|--|----------------------------|---|---|
| 1 | Terme Metal Sanayi ve Ticaret A.Ş. (Terme)             | Istanbul/Turkey            | 17,83   | 18,76   |
| 2 | Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım) | Izmir/Turkey               | 10,05   | 20,10   |

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on “Preparing Consolidated Financial Statements of the Banks”.

|   |           | Total<br>Assets | Equity | Total<br>Fixed<br>Assets | Interest<br>Income | Income from<br>Marketable<br>Securities<br>Portfolio | Current<br>Period Profit<br>/Loss | Prior Period<br>Profit/Loss | Fair<br>Value |
|---|-----------|-----------------|--------|--------------------------|--------------------|--|-----------------------------------|-----------------------------|---------------|
| 1 | Terme (*) | 15.161          | 3.672  | 244                      | 244                | -  | 21                                | 56                          | -             |
| 2 | 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.

***Information on associates disposed in the current period***

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

***Information on associates purchased in the current period***

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

**7.a.3 Information on the consolidated associates:**

|   | Title  | Address (City/ Country) | Bank's share<br>percentage-If<br>different voting<br>percentage (%) | Bank's risk<br>group share<br>percentage (%) |
|---|--|-------------------------|---|--|
| 1 | İş Faktoring A.Ş. (İş Faktoring)                         | Istanbul/Turkey         | 21,75   | 100,00                                       |
| 2 | İş Finansal Kiralama A.Ş. (İş Finansal)                  | Istanbul/Turkey         | 28,56   | 57,33  |
| 3 | İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim) | Istanbul/Turkey         | 16,67   | 57,95  |



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**SECTION FIVE (Continued)**

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

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

**7. Information on investments in associates (net) (continued):**

**7.a.3 Information on the consolidated associates (continued):**

|   |              | Total<br>Assets | Equity  | Total<br>Fixed<br>Assets | Interest<br>Income | Income from<br>Marketable<br>Securities<br>Portfolio | Current<br>Period<br>Profit/Loss | Prior<br>Period<br>Profit/Loss | Fair 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     |

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Balance at the Beginning of the Period</b> | <b>291.988</b> | <b>261.745</b> |
| Movements During the Period                   | 20.243         | 30.243         |
| Purchases                                     | -              | 927            |
| Bonus Shares Received                         | -              | -              |
| Current Year Share of Profit                  | 29.460         | 35.279         |
| Sales   | -              | -              |
| Revaluation Increase                          | -              | -              |
| Provision for Impairment                      | (9.217)        | (5.963)        |
| <b>Balance at the End of the Period</b>       | <b>312.231</b> | <b>291.988</b> |
| Capital Commitments                           | -              | -              |
| Share Percentage at the End of the Period (%) | -              | -              |

***Information on associates disposed in the current period***

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

***Information on associates purchased in the current period***

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

**7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:**

|                             | Current Period | Prior Period |
|-----------------------------|----------------|--------------|
| Banks                       | -              | -            |
| Insurance Companies         | -              | -            |
| Factoring Companies         | 52.173         | 44.018       |
| Leasing Companies           | 215.945        | 203.964      |
| Financial Service Companies | -              | -            |
| Other Financial Associates  | 44.113         | 44.006       |

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**SECTION FIVE (Continued)**

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

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

**7. Information on investments in associates (net) (continued):**

**7.a.5 Information on consolidated associates quoted on stock market:**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Associates Quoted on Domestic Stock Markets | 260.058               | 247.970             |
| Associates Quoted on Foreign Stock Markets  | -                     | -                   |

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

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

|   | <b>YF (*)</b>         | <b>TSKB GYO (*)</b>   |
|---|-----------------------|-----------------------|
|   | <b>Current Period</b> | <b>Current Period</b> |
| <b>CORE CAPITAL</b>                         |                       |                       |
| Paid-in Capital                             | 64.275                | 150.000               |
| Share Premium                               | -                     | 593                   |
| Legal Reserves                              | 4.868                 | 5.721                 |
| Other Comprehensive Income according to TAS | (468)                 | (17)                  |
| Current and Prior Years' Profit / Loss      | (276)                 | 51.377                |
| Leasehold Improvements (-)                  | (962)                 | -                     |
| Intangible Assets (-)                       | (1.134)               | (16)                  |
| <b>Total Core Capital</b>                   | <b>66.303</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>66.303</b>         | <b>207.658</b>        |

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

|   | <b>YF(*)</b>        | <b>TSKB GYO (*)</b> |
|---|---------------------|---------------------|
|   | <b>Prior Period</b> | <b>Prior Period</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.

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

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

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

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

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102. The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

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

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

**8.a.3 Information related to unconsolidated subsidiaries:**

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

|   |              | Total<br>Assets | Shareholders'<br>Equity | Total Fixed<br>Assets | Interest<br>Income | Income from<br>Marketable<br>Securities<br>Portfolio | 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 | SD A.Ş. (*)  | 1.268           | 1.185                   | 17                    | 48                 | -  | (422)                            | 240                            | -             |

(\*) The financial data are belongs to period ended 30 September 2016. The prior profit/loss has taken from the table belongs to 30 September 2015.

***Subsidiaries disposed in the current period***

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

***Subsidiaries purchased in the current period***

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

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

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

**8.a.4 Information related to consolidated subsidiaries:**

|   | <b>Title</b>                                       | <b>Address (City/ Country)</b> | <b>Bank's share percentage-If different voting percentage (%)</b> | <b>Bank's risk group share percentage (%)</b> |
|---|--|--------------------------------|---|---|
| 1 | Yatırım Finansman Menkul Değerler A.Ş.(YF)         | Istanbul /Turkey               | 95,78   | 98,51   |
| 2 | TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) | Istanbul/Turkey                | 59,00   | 70,84   |

|              | <b>Total Assets</b> | <b>Equity</b> | <b>Total Fixed Assets</b> | <b>Interest Income</b> | <b>Income from Marketable Securities Portfolio</b> | <b>Current Period Profit/Loss</b> | <b>Prior Period Profit/Loss</b> | <b>Fair Value</b> |
|--------------|---------------------|---------------|---------------------------|------------------------|--|-----------------------------------|---------------------------------|-------------------|
| YF (*)       | 883.358             | 67.778        | 2.400                     | 22.831                 | 1.172  | (3.131)                           | (1.037)                         | -                 |
| TSKB GYO (*) | 424.355             | 220.769       | 135                       | 306                    | -  | (3.551)                           | (12.767)                        | 63.012            |

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

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| <b>Balance at the Beginning of the Period</b> | <b>122.320</b>        | <b>133.825</b>      |
| Movements During the Period                   | 4.514                 | (11.505)            |
| Purchases                                     | -                     | -                   |
| Bonus Shares Obtained                         | -                     | -                   |
| Current Year Shares of Profit                 | -                     | -                   |
| Sales   | -                     | -                   |
| Revaluation Increase                          | 4.514                 | -                   |
| Provision for Impairment                      | -                     | (11.505)            |
| <b>Balance At the End of the Period</b>       | <b>126.834</b>        | <b>122.320</b>      |
| Capital Commitments                           | -                     | -                   |
| Share Percentage at the End of the Period (%) | -                     | -                   |

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

***Subsidiaries disposed in the current period***

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

***Subsidiaries purchased in the current period***

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

**8.a.5 Sectoral information on consolidated subsidiaries and the related carrying amounts in the legal books:**

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

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

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

**8.a.6 Subsidiaries quoted on stock exchange:**

|                                   | Current Period | Prior Period |
|-----------------------------------|----------------|--------------|
| Quoted in Domestic Stock Exchange | 56.729         | 52.215       |
| Quoted in Foreign Stock Exchange  | -              | -            |

**9. Information related to entities under common control**

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") on 26 May 2011 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

The main operations of Adana Hotel Project is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret A.Ş. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for TSKB GYO. The nominal paid-in capital of Adana Hotel Project comprises 20.000 shares of TL 1 (full) for each amounting to TL 20 in total. TSKB GYO has paid TL 10 in cash for the 50% ownership in Adana Hotel Project. The hotel has completed and started operations on 1 September 2015.

The main line of business of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care. The capital structure of the corporation is designated with 50% participation of Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% participation of the corporation itself. The nominal paid-in capital of the Anavarza Otelcilik A.Ş. comprises 2.000.000 shares of TL 1 for each amounting to TL 2.000 in total. As of 2 November 2015, paid-in capital of Anavarza Otelcilik has been increased from TL 2.000 to TL 3.500 in cash. TSKB GYO is paid out total of TL 1.750 in cash that corresponding to 50% capital of the company.

|                               | Total Assets | Equity  | Total Fixed Assets | Interest Income | Securities Income | Current Year Profit /Loss | Prior Year Profit /Loss | Fair Value |
|-------------------------------|--------------|---------|--------------------|-----------------|-------------------|---------------------------|-------------------------|------------|
| Adana Hotel Project           | 14.793       | (6.424) | 12.864             | -               | -                 | (1.821)                   | (1.294)                 | -          |
| Anavarza Hotelier Corporation | 2.315        | (309)   | 251                | -               | -                 | (864)                     | (1.619)                 | -          |

**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 |
|--|----------------|--------------|
| <b>Gross investments in finance leases</b> | <b>1.549</b>   | <b>98</b>    |
| 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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**I. Explanations and disclosures related to the consolidated assets (continued)**

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:**

Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

**11. Information on derivative financial assets for hedging purposes**

|   | Current Period |               | Prior Period |              |
|---|----------------|---------------|--------------|--------------|
|   | TL             | FC            | TL           | FC           |
| Fair Value Hedge                              | -              | 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 net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

|                    | Current Period |        |           | Prior Period |       |           |
|--------------------|----------------|--------|-----------|--------------|-------|-----------|
|                    | Face Value     | Asset  | Liability | Face Value   | Asset | Liability |
| Interest Rate Swap | 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                  | Hedging Item | Hedged Item                              | Type of Risk       | Fair Value Change of Hedged Item (*) | Fair Value of Hedging Instrument |           | Income St Effect (Profit/Loss Through Derivative Financial Instruments) |
|---------------------------------|--------------|--|--------------------|--------------------------------------|----------------------------------|-----------|---|
|                                 |              |  |                    |                                      | Asset                            | Liability |   |
| Interest Rate Swap Transactions |              | Fixed Rate Eurobond and Greenbond Issued | 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 is presented as net market value less credit risk and accumulated interest.

**12. Information 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.

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

**14. Information on investment properties**

In the current period, the Group has three investment properties with a net book value of TL 242.465 (31 December 2015: TL 241.293) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 30 September 2016 and 31 December 2015 is as follows:

| Current Period      | Opening Balance of Current Period | Additions    | Disposals | Change in Fair Value | Closing Balance of Current Period |
|---------------------|-----------------------------------|--------------|-----------|----------------------|-----------------------------------|
| Tahir Han           | 19.905                            | -            | -         | -                    | 19.905                            |
| Pendorya Mall       | 156.975                           | -            | -         | -                    | 156.975                           |
| Adana Hotel Project | 64.413                            | 1.172        | -         | -                    | 65.585                            |
| <b>Total</b>        | <b>241.293</b>                    | <b>1.172</b> |           |                      | <b>242.465</b>                    |

| Prior Period        | Closing Balance of Prior Period | Additions     | Disposals  | Change in Fair Value | Closing Balance of Prior Period |
|---------------------|---------------------------------|---------------|------------|----------------------|---------------------------------|
| Tahir Han           | 15.460                          | -             | -          | 4.445                | 19.905                          |
| Pendorya Mall       | 168.400                         | 1.281         | -          | (12.706)             | 156.975                         |
| Adana Hotel Project | 40.230                          | 14.727        | (2)        | 9.458                | 64.413                          |
| <b>Total</b>        | <b>224.090</b>                  | <b>16.008</b> | <b>(2)</b> | <b>1.197</b>         | <b>241.293</b>                  |

**15. Information on deferred tax assets**

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

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

| Deferred tax asset:                       | Current period  | Prior period    |
|---|-----------------|-----------------|
| Loan commissions accrual adjustment       | 16.567          | 16.103          |
| Other provisions                          | 15.001          | 12.008          |
| Marketable securities                     | 4.350           | -               |
| Employee benefit provision                | 2.478           | 2.053           |
| Valuation of derivative instruments       | -               | 5.943           |
| Other                                     | 9.129           | 5.028           |
| <b>Total Deferred Tax Asset</b>           | <b>47.525</b>   | <b>41.135</b>   |
| <b>Deferred tax liabilities:</b>          |                 |                 |
| Marketable securities                     | -               | (2.694)         |
| Borrowings commissions accrual adjustment | (9.008)         | (7.265)         |
| Valuation of derivative instruments       | (6.738)         | -               |
| Useful life difference of fixed assets    | (383)           | (402)           |
| Others                                    | (3.879)         | (2.975)         |
| <b>Total Deferred Tax Liability</b>       | <b>(20.008)</b> | <b>(13.336)</b> |
| <b>Net Deferred Tax Asset</b>             | <b>27.517</b>   | <b>27.799</b>   |

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

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

There is no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. YF has deferred tax asset amounting to TL 5.665 calculated from tax losses amounting to TL 28.325 (31 December 2015: TL 21.850 tax loss / TL 4.316 deferred tax asset).

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

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2015: None).

**16. Explanations on assets held for sale:**

In the current period, the Group has no assets held for sale (31 December 2015: None).

**17. Information about other assets**

**17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:**

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2015: None).

**II. Explanations and disclosures related to the consolidated liabilities**

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

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.



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

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

| Derivative Financial Liabilities Held For Trading | Current Period |                | Prior Period  |                |
|---|----------------|----------------|---------------|----------------|
|   | TL             | FC             | TL            | FC             |
| Forward Transactions                              | 3.306          | 2.321          | 753           | 1.348          |
| Swap Transactions                                 | 47.885         | 85.251         | 43.699        | 55.518         |
| Futures Transactions                              | -              | -              | -             | -              |
| Options   | -              | 47.249         | -             | 73.632         |
| Other   | 919            | -              | -             | -              |
| <b>Total</b>                                      | <b>52.110</b>  | <b>134.821</b> | <b>44.452</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. The average maturity of such swaps range between 2020 and 2021 years.

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

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

|  | Current Period |                   | Prior Period   |                   |
|--|----------------|-------------------|----------------|-------------------|
|  | TL             | FC                | TL             | FC                |
| Loans from Central Bank of Turkey          | -              | -                 | -              | -                 |
| From Domestic Banks and Institutions       | 83.615         | 445.868           | 186.611        | 306.291           |
| From Foreign Banks, Institutions and Funds | 303.245        | 13.516.462        | 69.001         | 12.879.928        |
| <b>Total</b>                               | <b>386.860</b> | <b>13.962.330</b> | <b>255.612</b> | <b>13.186.219</b> |

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

|                      | Current Period |                   | Prior Period   |                   |
|----------------------|----------------|-------------------|----------------|-------------------|
|                      | TL             | FC                | TL             | FC                |
| Short-term           | 288.106        | 256.766           | 59.544         | 56.360            |
| Medium and long-term | 98.754         | 13.705.564        | 196.068        | 13.129.859        |
| <b>Total</b>         | <b>386.860</b> | <b>13.962.330</b> | <b>255.612</b> | <b>13.186.219</b> |

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

**3.c Additional information about the concentrated areas of liabilities:**

|            | Current Period |           | Prior Period |           |
|------------|----------------|-----------|--------------|-----------|
|            | TL             | FC        | TL           | FC        |
| Nominal    | -              | 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 Parent Bank's sales on the issuance of a maximum of USD 750 million bonds which will be held abroad or other securities transactions are completed, 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 semi-annual 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 semi-annual 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%.

**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).

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

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

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

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

As of the reporting date, 1 head office building and 10 branches of the Group companies are subject to operational leasing. Additionally, 25 cars and 160 computers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2015: 1 head office, 13 branches and 29 cars and 100 computers are subject to operational leasing).

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

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

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

**6. Information on derivative financial liabilities held for risk management**

|   | Current Period |    | Prior Period |                |
|---|----------------|----|--------------|----------------|
|   | TL             | FC | TL           | FC             |
| Fair Value Hedge                              | -              | -  | -            | (5.799)        |
| Cash Flow Hedge                               | -              | -  | -            | -              |
| Hedge of net investment in foreign operations | -              | -  | -            | -              |
| <b>Total</b>                                  | -              | -  | -            | <b>(5.799)</b> |

**7. Information on provisions**

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

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| <b>General Provisions</b>                            | <b>158.994</b> | <b>144.043</b> |
| I.Provisions for First Group Loans and Receivables   | 138.540        | 124.148        |
| II.Provisions for Second Group Loans and Receivables | 3.412          | 4.522          |
| Provisions for Non-Cash Loans                        | 2.593          | 2.721          |
| Other  | 14.449         | 12.652         |

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

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

**7.d Information related to other provisions:**

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

There is no provision for possible losses (31 December 2015: None).

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

|                      | Current Period | Prior Period  |
|----------------------|----------------|---------------|
| Other Provisions (*) | 75.765         | 63.049        |
| <b>Total</b>         | <b>75.765</b>  | <b>63.049</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 other provision, and TL 583 provision for non-cash loans which are not indemnified.).

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

**8. Information on taxes payable**

**8.a Information on current taxes payable**

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

|                                    | Current Period |          | Prior Period  |          |
|------------------------------------|----------------|----------|---------------|----------|
|                                    | TL             | FC       | TL            | FC       |
| Corporate Taxes and Deferred Taxes |                |          |               |          |
| Corporate Taxes Payable            | 21.111         | -        | 32.390        | -        |
| Deferred Tax Liability             | -              | -        | -             | -        |
| <b>Total</b>                       | <b>21.111</b>  | <b>-</b> | <b>32.390</b> | <b>-</b> |

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

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Corporate Taxes Payable                      | 21.111         | 41.871        |
| Taxation of Securities                       | 852            | 1.070         |
| Capital gains tax on property                | -              | -             |
| Banking and Insurance Transaction Tax (BITT) | 3.178          | 3.261         |
| Foreign Exchange Transaction Tax             | -              | -             |
| Value Added Tax Payable                      | 237            | 251           |
| Other  | 1.843          | 1.607         |
| <b>Total</b>                                 | <b>27.221</b>  | <b>48.060</b> |

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

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Social Security Premiums-Employee                    | 127            | 119          |
| Social Security Premiums-Employer                    | 143            | 135          |
| Bank Social Aid Pension Fund Premium-Employee        | -              | -            |
| Bank Social Aid Pension Fund Premium-Employer        | -              | -            |
| Pension Fund Membership Fees and Provisions-Employee | -              | -            |
| Pension Fund Membership Fees and Provisions-Employer | -              | -            |
| Unemployment Insurance-Employee                      | 38             | 32           |
| Unemployment Insurance-Employer                      | 76             | 63           |
| Other  | 23             | 17           |
| <b>Total</b>   | <b>407</b>     | <b>366</b>   |

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

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

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

None (31 December 2015: None).

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**SECTION FIVE (Continued)**

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

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

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

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:**

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common Stock    | 2.050.000      | 1.750.000    |
| Preferred Stock | -              | -            |

**11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:**

| Capital System            | Paid-in Capital | Ceiling   |
|---------------------------|-----------------|-----------|
| Registered Capital System | 2.050.000       | 2.500.000 |

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

In the meeting of the General Assembly held on 24 March 2016, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The applications to BRSA and CMB related to increase has been performed, and the process is finalised as of report date.

In the meeting of the General Assembly held on 24 March 2015, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.500.000 to TL 1.750.000 by adding TL 250.000. In respect of the resolution of the General Assembly, TL 234.000 of this increase will be incorporated from the profit of the year 2014, TL 16.000 of this increase will be incorporated from extraordinary reserves provided for gain on subsidiary and real estate based on article of CTL-5(1)/e. The increase in paid-in capital was approved by the BRSA on 15 May 2015.

**11.d Information on share capital increases from capital reserves:**

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

**11.e Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2015: None).

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**SECTION FIVE (Continued)**

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

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

**11. Information on shareholders' equity (continued)**

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

The prior period income, the profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under several different scenario analyses. The Parent Bank operations are profitable and the Parent Bank keeps the major part of its profit by capital increases or capital reserves within the shareholders' equity.

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

The Parent Bank has no preferred shares (31 December 2015: None).

**11.h Information on marketable securities value increase fund:**

|  | Current Period  |               | Prior Period    |               |
|--|-----------------|---------------|-----------------|---------------|
|  | TL              | FC            | TL              | FC            |
| From Associates, Subsidiaries, and Entities Under Common Control | (22.868)        | -             | (13.651)        | -             |
| Valuation Differences  | 357             | 21.452        | (27.819)        | 11.288        |
| Foreign Exchange Difference                                      | 2.928           | -             | 2.427           | -             |
| <b>Total</b>   | <b>(19.583)</b> | <b>21.452</b> | <b>(39.043)</b> | <b>11.288</b> |

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

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

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

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Commitments for Forward Purchase and Sales of Assets        | 291.662          | 110.589          |
| Commitments for Money Market Brokerage Purchase and Sales   | 41.651           | 96.317           |
| Commitments for Use Guaranteed Credit Allocation            | -                | -                |
| Commitments for Stock Brokerage Purchase and Sales          | 520.273          | 498.091          |
| Commitments for Letter of Credit                            | 467.433          | 319.695          |
| Capital commitments for subsidiaries and associates (*)     | 63.171           | -                |
| Commitments from Forward Short Term Borrowing and Transfers | -                | 103.409          |
| Other   | 230.082          | 185.460          |
| <b>Total</b>  | <b>1.614.272</b> | <b>1.313.561</b> |

(\*) "As of 25 July 2016, the Bank has paid EUR 1.100 thousand 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 credits, surety and acceptance amount to TL 608.657 (31 December 2015: TL 585.917).

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**SECTION FIVE (Continued)**

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

**III. Explanations and disclosures related to the consolidated off-balance sheet items (Continued)**

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

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

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

As of the reporting date, total letters of guarantee is TL 998.290 (31 December 2015: TL 1.196.747).

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

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Non-cash Loans Given Against Achieving Cash Loans | 818.009               | 731.304             |
| With Maturity of One Year or Less than One Year   | 10.935                | 49.945              |
| With Maturity of More than One Year               | 807.074               | 681.359             |
| Other Non-Cash Loans                              | 788.938               | 1.051.360           |
| <b>Total</b>                                      | <b>1.606.947</b>      | <b>1.782.664</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. Information 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.

**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 51 legal cases against the Group which are amounting to TL 7.263 as of the reporting date (31 December 2015: TL 5.919 - 45 legal cases).

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

The Parent Bank assesses that the Parent Bank’s practice is in compliance with the legislation and there is no legal basis for the tax administration’s suspended assessments, therefore, lawsuits have been filed against the subjected assessments in various tax courts in İstanbul, Ankara and İzmir.

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**SECTION FIVE (Continued)**

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

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

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

Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court (AYM) in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the parent Bank and an amount of TL 12.750 corresponding to the portion that the parent Bank was obliged to pay for the related period is recognised as income in the prior period.

There is a lawsuit for Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 against IBB and Karacan Yapı at Pendik 2<sup>nd</sup> Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7. TSKB GYO has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision.

**5. Custodian and intermediary services**

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 CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

**1. Information on interest income**

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

|  | Current Period |                | Prior Period   |                |
|--|----------------|----------------|----------------|----------------|
|  | TL             | FC             | TL             | FC             |
| Interest on Loans (*)                                    |                |                |                |                |
| Short Term Loans   | 56.191         | 4.366          | 28.834         | 2.140          |
| Medium and Long Term Loans                               | 121.677        | 415.299        | 95.426         | 370.597        |
| Interest on Non-performing Loans                         | 3.853          | 84             | 190            | 122            |
| Premiums received from Resource Utilization Support Fund | -              | -              | -              | -              |
| <b>Total</b>   | <b>181.721</b> | <b>419.749</b> | <b>124.450</b> | <b>372.859</b> |

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

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

|                                 | Current Period |              | Prior Period |              |
|---------------------------------|----------------|--------------|--------------|--------------|
|                                 | TL             | FC           | TL           | FC           |
| The Central Bank of Turkey (*)  | 2.540          | -            | 648          | -            |
| Domestic Banks                  | 15.240         | 4.372        | 8.869        | 1.734        |
| Foreign Banks                   | 78             | 413          | 140          | 109          |
| Branches and Head Office Abroad | -              | -            | -            | -            |
| <b>Total</b>                    | <b>17.858</b>  | <b>4.785</b> | <b>9.657</b> | <b>1.843</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                                     | 2.414          | 30            | 2.052          | 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>226.671</b> | <b>37.430</b> | <b>187.231</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 | 6.754          | 3.879        |

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**SECTION FIVE (Continued)**

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

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

**2. Information on interest expense**

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

|                                 | Current Period |                | Prior Period  |                |
|---------------------------------|----------------|----------------|---------------|----------------|
|                                 | TL             | FC             | TL            | FC             |
| Banks                           | 21.535         | 27.882         | 20.499        | 12.851         |
| The Central Bank of Turkey      | -              | -              | -             | -              |
| Domestic Banks                  | 13.152         | 11.301         | 17.431        | 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>23.318</b>  | <b>159.267</b> | <b>20.499</b> | <b>124.412</b> |

(\*) Commissions given to the Banks and Other Institutions are presented under interest expense.

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

There is no interest expense to its associates and subsidiaries (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>937.037</b>   | <b>1.368.531</b>   |
| Gains on capital market operations             | 6.509            | 10.922             |
| Gains on derivative financial instruments (*)  | 499.205          | 634.451            |
| Foreign exchange gains                         | 431.323          | 723.158            |
| <b>Losses (-)</b>                              | <b>(992.674)</b> | <b>(1.388.030)</b> |
| Losses on capital market operations            | (2.417)          | (7.858)            |
| Losses on derivative financial instruments (*) | (627.091)        | (732.948)          |
| Foreign exchange losses                        | (363.166)        | (647.224)          |

(\*) Foreign exchange gain from derivative transactions amounting to TL 188.053 is presented in "Gains on derivative financial instruments" (30 September 2015: TL 263.945), foreign exchange loss from derivative transactions amounting to TL (312.433) is presented in "Losses on derivative financial instruments" (30 September 2015: TL (284.548)).

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

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

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

|                                     | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------------|-----------------------|---------------------|
| Provisions Released                 | 12.952                | 23.808              |
| Gains on Sale of Assets             | 232                   | 61                  |
| From Associate and Subsidiary Sales | 114                   | -                   |
| From Immovable Fixed Asset Sales    | -                     | 53                  |
| From Property Sales                 | 59                    | 1                   |
| From Other Asset Sales              | 59                    | 7                   |
| Other (*)                           | 8.493                 | 29.370              |
| <b>Total</b>                        | <b>21.677</b>         | <b>53.239</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 Group**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Specific provisions for loans and other receivables | 3.479                 | 44.519              |
| III. Group  | 2                     | 1                   |
| IV. Group   | -                     | 43.917              |
| V. Group  | 3.477                 | 601                 |
| General provision expenses                          | 14.951                | 31.656              |
| 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>35.737</b>         | <b>83.319</b>       |

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

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

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

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

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Personnel Expenses   | 69.907                | 62.744              |
| Reserve for Employee Termination Benefits                    | 1.970                 | 1.381               |
| Bank Social Aid Fund Deficit Provision                       | -                     | -                   |
| Impairment Expenses of Fixed Assets                          | -                     | -                   |
| Depreciation Expenses of Fixed Assets                        | 3.625                 | 2.743               |
| Impairment Expenses of Intangible Assets                     | -                     | -                   |
| Impairment Expense of Goodwill                               | -                     | -                   |
| Amortization Expenses of Intangible Assets                   | 498                   | 436                 |
| Impairment on Subsidiaries Accounted for Under Equity Method | -                     | -                   |
| Impairment on Assets for Resale                              | 15                    | 16                  |
| Depreciation Expenses of Assets Held for Resale              | -                     | 13                  |
| Impairment Expenses of Assets Held for Sale                  | -                     | -                   |
| Other Operating Expenses                                     | 25.072                | 22.981              |
| Rent Expenses  | 3.387                 | 2.207               |
| Maintenance Expenses   | 1.136                 | 1.577               |
| Advertisement Expenses                                       | 917                   | 983                 |
| Other Expenses   | 19.632                | 18.214              |
| Loss on Sales of Assets                                      | -                     | -                   |
| Other  | 15.438                | 13.125              |
| <b>Total</b>   | <b>116.525</b>        | <b>103.439</b>      |

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

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

The Group's current tax charge for the period is TL 93.571 (30 September 2015: TL 34.766).  
Deferred tax benefit is TL 9.296 (30 September 2015: TL 33.663 deferred tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 7.947 (30 September 2015: TL 30.690 deferred tax charge).

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**SECTION FIVE (Continued)**

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

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

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

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

As of 30 September 2016, the deferred tax benefit calculated based on temporary timing differences is TL 7.947 (30 September 2015: TL 30.690 tax charge). Deferred tax income reflected in the income statement on carry forward tax losses, tax deductions and exceptions amounts to TL 1.349 (30 September 2015: TL 2.973 expense).

In addition, TL 9.578 deferred tax effect which is calculated over the fair value differences on available for sale securities, is offset against the available for sale securities value increase fund item under equity (30 September 2015: TL 45.718 income).

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

As of 30 September 2016, current net profit of the Group has increased by 34,19% compared to the prior period (30 September 2015: 11,94% decrease).

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

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

The Group has generated TL 1.024.982 of interest income, TL 463.096 of interest expenses, TL 17.586 of net fee and commission income from banking operations (30 September 2015: TL 792.617 interest income, TL 366.278 interest expenses, TL 21.308 net fee and commission income).

**10.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There are no changes in the accounting estimates.

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

The current year loss attributable to minority shares is TL 4.773 (30 September 2015: TL 8.234 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 60.702 (30 September 2015: TL 56.871).

**11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below**

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Gains on Other Fees and Commissions      |                |               |
| Gains on Brokerage Commissions           | 15.550         | 13.015        |
| Commissions from Initial Public Offering | 16             | -             |
| Investment Fund Management Income        | 1.178          | 1.230         |
| Other                                    | 1.388          | 2.094         |
| <b>Total</b>                             | <b>18.132</b>  | <b>16.339</b> |

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE (Continued)**

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

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

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

**1.a Current period:**

| Risk Group of the Parent Bank           | Subsidiaries and Associates |          | Direct and Indirect Shareholders of the Parent Bank |          | Other Entities Included in the Risk Group |          |
|---|-----------------------------|----------|---|----------|---|----------|
|   | Cash                        | Non-Cash | Cash  | Non-Cash | Cash                                      | Non-Cash |
| Loans and other receivables             |                             |          |   |          |   |          |
| Balance at the beginning of the period  | 340.358                     | 322      | 53.167  | 117.412  | 91.272                                    | -        |
| Balance at the end of the period        | 277.438                     | 7.187    | 36.991  | -        | 84.824                                    | -        |
| Interest and commission income received | 6.635                       | 119      | 805   | 67       | 2.975                                     | -        |

**1.b Prior period:**

| Risk Group of the Parent Bank           | Subsidiaries and Associates |          | Direct and Indirect Shareholders of the Parent Bank |          | Other Entities Included in the Risk Group |          |
|---|-----------------------------|----------|---|----------|---|----------|
|   | Cash                        | Non-Cash | Cash  | Non-Cash | Cash                                      | Non-Cash |
| Loans and other receivables             |                             |          |   |          |   |          |
| Balance at the beginning of the period  | 119.901                     | 264      | 72.954  | 117.412  | 79.003                                    | -        |
| Balance at the end of the period        | 340.358                     | 322      | 53.167  | 117.412  | 91.272                                    | -        |
| Interest and commission income received | 3.875                       | 4        | 1.222   | 220      | 3.238                                     | -        |

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

The Parent Bank is not authorized to accept deposits.

**2. Information on forward and option agreements and other similar agreements made with related parties**

| Risk Group of the Parent Bank                         | Subsidiaries and Associates |              | Direct and Indirect Shareholders of the Parent Bank |              | Other Entities Included in the Risk Group |              |
|---|-----------------------------|--------------|---|--------------|---|--------------|
|   | Current Period              | Prior Period | Current Period                                      | Prior Period | Current Period                            | Prior Period |
| <b>Fair Value Through Profit or Loss Transactions</b> |                             |              |   |              |   |              |
| Beginning of the Period                               | 97.511                      | -            | -   | -            | -   | -            |
| End of the Period                                     | 418.584                     | 97.511       | -   | -            | -   | -            |
| Total Profit / Loss (*)                               | 253                         | -            | -   | -            | -   | -            |
| <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 key management personnel in the current period amount to TL 12.275 (30 September 2015: TL 8.653).

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

None.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
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**SECTION SIX**

**AUDITORS' REVIEW REPORT**

**I. Explanations on the review report**

The consolidated financial statements as of and for the period ended 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 Group's operations.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES  
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**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 Bank's Board of Directors and Senior Management within third quarter.

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

The Bank's 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



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**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 fx adjusted loan growth 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 consolidated assets increased by 11.4% to TRY 23.8 billion and its total loan portfolio grew by 13.1% 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 consolidated net profit for the period by 34.2% to TRY 349.9 million on an annual basis. The Bank increased its equities by 11.4% to TRY 3.1 billion on a year-to-date basis and posted a capital adequacy ratio of 15.68% 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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INFORMATION ON INTERIM ACTIVITY REPORT  
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**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)**

**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.

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**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)**

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%.

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)**

**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)**

**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 consolidated financial indicators as of September 30, 2016 is provided below:

The total asset size grew by 10.4% on a year-on-year basis and by 11.4% on a year-to-date basis to reach TRY 23.798 million.

The total loan portfolio stood at TRY 15,424 million, marking an increase of 8.4% on a year-on-year basis and 13.1% on a year-to-date basis. At the same period, the ratio of non-performing loans to total loans decreased slightly to 0.3%.

Shareholders' equity picked up by 19.8% compared to previous year and by 11.4% on a year-to-date basis to reach TRY 3,101 million. Standing at 16% as of 2015 year-end, the capital adequacy ratio of the Bank increased to 15.68% at the end of September 2016.

As of September 30, 2016, the Bank posted a net consolidated profit TRY 349,921 thousand with an annual increase of 34.2%.

While the return on equity ratio of the Bank was 14.3% in September 2015 and 15.6% at 2015 year-end, it rose slightly up to 16.1% in September 2016.

The Bank delivered a return on assets ratio of 2.1% in September 2016 which was 2.2% at the 2015 year-end and 1.9% at the same period last year.

In the first three quarters of 2016, total operating income went up by 13.3% on an annual basis to reach TRY 557 million, while other operating expenses rose by 12.7% to TRY 116.5 million. The Bank's cost to income ratio, which was recorded as 21% in September 2015 and as 20.2% at 2015 year-end, slightly rose to 20.9% in the first nine months of 2016.

**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>