

Türkiye Sınai Kalkınma Bankası Anonim Şirketi

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

28 July 2016

*This report contains "Auditors' Review Report"
comprising 2 pages and; "Unconsolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 100 pages.*

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

AUDITORS' REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying unconsolidated balance sheet of Türkiye Sınai Kalkınma Bankası AŞ as at 30 June 2016 and the unconsolidated income statement, unconsolidated statement of comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the six-month period then ended and summary of significant accounting policies and other explanatory information ("interim unconsolidated financial information"). The Bank Management is responsible for the preparation and fair presentation of such interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA, and requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" for the matters not regulated by aforementioned legislations. Our responsibility is to express a conclusion on this interim unconsolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on Other Legal and Regulatory Requirements

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

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

Erdal Tıkmak
Partner, SMMM
28 June 2016
Istanbul, Turkey

Additional paragraph for convenience translation to English

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

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

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

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

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

28 July 2016

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

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

Name-Surname / Title : Ayşe Nazlıca / Head of Budget Planning and Investor Relations
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INDEX**Page Number****SECTION ONE****General Information**

I.	The Bank's incorporation date, beginning status, changes in the existing status	1
II.	Explanations regarding the Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Bank	1
III.	Explanations regarding the chairman and the members of board of the directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Bank	2
IV.	Information about the persons and institutions that have qualified shares in the Bank	3
V.	Summary on the Bank's functions and areas of activity	3
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	3
VII.	The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities	4

SECTION TWO**Unconsolidated Financial Statements**

I.	Unconsolidated balance sheet	5
II.	Unconsolidated statement of off-balance sheet items	7
III.	Unconsolidated income statement	8
IV.	Unconsolidated statement of comprehensive income	9
V.	Unconsolidated statement of changes in equity	10
VI.	Unconsolidated statement of cash flows	11

SECTION THREE**Accounting Policies**

I.	Basis of presentation	12
II.	Explanations on usage strategy of financial assets and foreign currency transactions	12
III.	Explanations on forward and option contracts and derivative instruments	14
IV.	Explanations on interest income and expenses	14
V.	Explanations on fees and commission income and expenses	14
VI.	Explanations on financial assets	15
VII.	Explanations on impairment on financial assets	17
VIII.	Explanations on offsetting of financial assets and liabilities	18
IX.	Explanations on sales and repurchase agreements and lending of securities	18
X.	Explanations on assets held for sale and discontinued operations	19
XI.	Explanations on goodwill and other intangible assets	19
XII.	Explanations on tangible assets	20
XIII.	Explanations on leasing transactions	20
XIV.	Explanations on provisions and contingent liabilities	20
XV.	Explanations on liabilities regarding employee benefits	21
XVI.	Explanations on taxation	22
XVII.	Additional explanations on borrowings	23
XVIII.	Explanations on share certificates issued	24
XIX.	Explanations on acceptances	24
XX.	Explanations on government incentives	24
XXI.	Explanations on segment reporting	24
XXII.	Explanations on other matters	25

SECTION FOUR**Information on Financial Structure and Risk Management**

I.	Information related to components of unconsolidated shareholders' equity	26
II.	Explanations related to unconsolidated currency risk	33
III.	Explanations related to unconsolidated interest rate risk	35
IV.	Explanations related to unconsolidated stock position risk	40
V.	Explanations related to unconsolidated liquidity risk management and liquidity coverage ratio	41
VI.	Explanations related to unconsolidated leverage ratio	49
VII.	Explanations related to Risk Management	50

SECTION FIVE**Explanations and Disclosures on Unconsolidated Financial Statements**

I.	Explanations and disclosures related to the unconsolidated assets	56
II.	Explanations and disclosures related to the unconsolidated liabilities	78
III.	Explanations and disclosures related to the unconsolidated off-balance sheet items	84
IV.	Explanations and disclosures related to the unconsolidated income statement	86
V.	Explanations on the risk group of the Bank	91
VI.	Explanations and notes related to subsequent events	91

SECTION SIX**Auditors' Review Report**

I.	Explanations on the limited review report	92
II.	Explanations and notes prepared by independent auditors	92

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	93
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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	1.033.385	50,41	1.033.385	-
T. Vakıflar Bankası T.A.O.	171.738	8,38	171.738	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	844.877	41,21	844.877	-
Total	2.050.000	100,00	2.050.000	-

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

Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,41% of the shares belongs to İş Bank Group and 39,3% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 30 JUNE 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 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.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 30 JUNE 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 Bank

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

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

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

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

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 30 JUNE 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)**

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. :

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

İş Finansal Kiralama A.Ş. :

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

İş Faktoring A.Ş. :

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67% in which the share of İş Yatırım Menkul Değerler A.Ş. is 29,04%. The company's headquarters is located at Istanbul/Turkey.

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

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

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

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

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

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

		Reviewed Current Period 30 June 2016			Audited Prior Period 31 December 2015		
ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	28.099	770.209	798.308	40.438	770.676	811.114
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	46.447	148.120	194.567	37.429	159.786	197.215
2.1 Trading financial assets		46.447	148.120	194.567	37.429	159.786	197.215
2.1.1 Public sector debt securities		20.664	-	20.664	28.233	-	28.233
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		25.783	148.120	173.903	9.196	159.786	168.982
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	(3)	107.766	298.541	406.307	324	534.505	534.829
IV. MONEY MARKET PLACEMENTS		1.352.910	-	1.352.910	1.080.274	-	1.080.274
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		1.352.910	-	1.352.910	1.080.274	-	1.080.274
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.368.701	871.257	3.239.958	2.123.150	847.819	2.970.969
5.1 Share certificates		29.213	10.908	40.121	26.901	10.120	37.021
5.2 Public sector debt securities		2.116.716	853.987	2.970.703	1.793.224	831.327	2.624.551
5.3 Other marketable securities		222.772	6.362	229.134	303.025	6.372	309.397
VI. LOANS AND RECEIVABLES	(5)	2.983.324	11.265.009	14.248.333	2.414.222	11.261.257	13.675.479
6.1 Loans and receivables		2.983.324	11.265.009	14.248.333	2.414.222	11.261.257	13.675.479
6.1.1 Loans to the risk group of the Bank		270.181	220.208	490.389	388.155	207.989	596.144
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.713.143	11.044.801	13.757.944	2.026.067	11.053.268	13.079.335
6.2 Non performing loans		46.503	1.362	47.865	57.754	1.651	59.405
6.3 Specific provisions (-)		(46.503)	(1.362)	(47.865)	(57.754)	(1.651)	(59.405)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	739.605	155.232	894.837	715.194	157.408	872.602
8.1 Public sector debt securities		739.605	155.232	894.837	715.194	157.408	872.602
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	207.115	-	207.115	156.008	-	156.008
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		207.115	-	207.115	156.008	-	156.008
9.2.1 Financial investments		205.560	-	205.560	154.453	-	154.453
9.2.2 Non-financial investments		1.555	-	1.555	1.555	-	1.555
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	133.496	-	133.496	122.699	-	122.699
10.1 Unconsolidated financial subsidiaries		133.117	-	133.117	122.320	-	122.320
10.2 Unconsolidated non-financial subsidiaries		379	-	379	379	-	379
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	-	1.085	1.085	-	-	-
12.1 Finance lease receivables		-	1.214	1.214	-	98	98
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(129)	(129)	-	(98)	(98)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	65.684	65.684	-	4.093	4.093
13.1 Fair value hedge		-	65.684	65.684	-	4.093	4.093
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	48.129	-	48.129	48.515	-	48.515
XV. INTANGIBLE ASSETS (Net)	(13)	816	-	816	686	-	686
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		816	-	816	686	-	686
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	24.531	-	24.531	22.911	-	22.911
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		24.531	-	24.531	22.911	-	22.911
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	56.493	118.765	175.258	56.133	181.058	237.191
TOTAL ASSETS		8.097.432	13.693.902	21.791.334	6.817.983	13.916.602	20.734.585

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

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

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

		Reviewed Current Period 30 June 2016			Audited Prior Period 31 December 2015		
LIABILITIES	Note Ref.	TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	72.719	131.677	204.396	42.933	130.498	173.431
III. FUNDS BORROWED	(3)	100.048	12.900.621	13.000.669	196.001	13.102.950	13.298.951
IV. MONEY MARKET BALANCES		2.215.491	71.429	2.286.920	2.123.487	45.994	2.169.481
4.1 Interbank money market takings		162.000	-	162.000	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		2.053.491	71.429	2.124.920	2.123.487	45.994	2.169.481
V. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	2.943.421	2.943.421	-	2.037.571	2.037.571
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	2.943.421	2.943.421	-	2.037.571	2.037.571
VI. BORROWER FUNDS		1.974	6.494	8.468	1.690	28.987	30.677
6.1 Borrower funds		1.974	6.494	8.468	1.690	28.987	30.677
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS		90.340	50.937	141.277	93.141	24.104	117.245
VIII. OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES	(5)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	-	-	-	5.799	5.799
11.1 Fair value hedge		-	-	-	-	5.799	5.799
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(7)	236.742	-	236.742	220.045	-	220.045
12.1 General loan loss provisions		155.154	-	155.154	150.329	-	150.329
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		11.005	-	11.005	9.133	-	9.133
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		70.583	-	70.583	60.583	-	60.583
XIII. TAX LIABILITY	(8)	41.092	-	41.092	46.822	-	46.822
13.1 Current tax liability		41.092	-	41.092	46.822	-	46.822
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	145.078	145.078	-	145.836	145.836
XVI. SHAREHOLDERS' EQUITY		2.740.213	43.058	2.783.271	2.477.439	11.288	2.488.727
16.1 Paid-in capital	(11)	2.050.000	-	2.050.000	1.750.000	-	1.750.000
16.2 Capital reserves		42.153	43.058	85.211	(33.228)	11.288	(21.940)
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	10.728	43.058	53.786	(64.633)	11.288	(53.345)
16.2.4 Tangible assets revaluation differences		31.368	-	31.368	31.348	-	31.348
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		57	-	57	57	-	57
16.3 Profit reserves		398.884	-	398.884	353.822	-	353.822
16.3.1 Legal reserves		213.923	-	213.923	192.634	-	192.634
16.3.2 Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3 Extraordinary reserves		106.400	-	106.400	82.703	-	82.703
16.3.4 Other profit reserves		2.920	-	2.920	2.844	-	2.844
16.4 Profit or loss		249.176	-	249.176	406.845	-	406.845
16.4.1 Prior years' income/losses		-	-	-	-	-	-
16.4.2 Current year income/loss		249.176	-	249.176	406.845	-	406.845
TOTAL LIABILITIES AND EQUITY		5.498.619	16.292.715	21.791.334	5.201.558	15.533.027	20.734.585

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

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

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

		Reviewed Current Period 30 June 2016			Audited Prior Period 31 December 2015		
	Note Ref	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		4,685,586	25,711,734	30,397,320	3,573,336	22,330,276	25,903,612
I. GUARANTEES AND COLLATERALS	(1)	266,377	1,308,710	1,575,087	390,801	1,391,865	1,782,666
1.1 Letters of guarantee		266,377	787,216	1,053,593	390,801	805,948	1,196,749
1.1.1 Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		266,377	787,216	1,053,593	390,801	805,948	1,196,749
1.2 Bank acceptances		-	14,390	14,390	-	19,027	19,027
1.2.1 Import letters of acceptance		-	14,390	14,390	-	19,027	19,027
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	507,104	507,104	-	566,890	566,890
1.3.1 Documentary letters of credit		-	507,104	507,104	-	566,890	566,890
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	-	-	-	-	-
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	566,295	3,729,698	4,295,993	526,242	3,583,563	4,109,805
2.1 Irrevocable commitments		166,868	688,654	855,522	93,660	303,401	397,061
2.1.1 Forward asset purchase and sales commitments		121,730	467,085	588,815	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		-	63,869	63,869	-	-	-
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		45,138	157,700	202,838	38,113	248,359	286,472
2.2 Revocable commitments		399,427	3,041,044	3,440,471	432,582	3,280,162	3,712,744
2.2.1 Revocable loan granting commitments		399,427	3,041,044	3,440,471	432,582	3,280,162	3,712,744
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	3,852,914	20,673,326	24,526,240	2,656,293	17,354,848	20,011,141
3.1 Derivative financial instruments for hedging purposes		-	6,389,160	6,389,160	-	4,689,900	4,689,900
3.1.1 Fair value hedge		-	6,389,160	6,389,160	-	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		3,852,914	14,284,166	18,137,080	2,656,293	12,664,948	15,321,241
3.2.1 Forward foreign currency buy/sell transactions		247,836	705,057	952,893	47,844	359,244	407,088
3.2.1.1 Forward foreign currency transactions-buy		125,063	352,054	477,117	23,898	180,556	204,454
3.2.1.2 Forward foreign currency transactions-sell		122,773	353,003	475,776	23,946	178,688	202,634
3.2.2 Swap transactions related to f.c. and interest rates		2,382,996	12,092,975	14,475,971	1,554,677	10,793,868	12,348,545
3.2.2.1 Foreign currency swaps-buy		480,549	2,881,530	3,362,079	621,999	1,978,589	2,600,588
3.2.2.2 Foreign currency swaps-sell		1,859,103	1,437,589	3,296,692	887,822	1,671,255	2,559,077
3.2.2.3 Interest rate swaps-buy		21,672	3,886,928	3,908,600	22,428	3,572,012	3,594,440
3.2.2.4 Interest rate swaps-sell		21,672	3,886,928	3,908,600	22,428	3,572,012	3,594,440
3.2.3 Foreign currency, interest rate and securities options		1,082,082	1,234,102	2,316,184	1,053,772	1,422,626	2,476,398
3.2.3.1 Foreign currency options-buy		541,041	617,283	1,158,324	526,886	711,313	1,238,199
3.2.3.2 Foreign currency options-sell		541,041	616,819	1,157,860	526,886	711,313	1,238,199
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		140,000	252,032	392,032	-	89,210	89,210
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		39,305,952	149,409,499	188,715,451	32,899,924	146,256,211	179,156,135
IV. ITEMS HELD IN CUSTODY		1,876,925	122,307	1,999,232	2,053,865	89,752	2,143,617
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		27,310	122,307	149,617	53,414	89,752	143,166
4.3 Checks received for collection		-	-	-	-	-	-
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		1,849,615	-	1,849,615	2,000,451	-	2,000,451
V. PLEDGED ITEMS		27,066,687	90,070,636	117,137,323	20,595,003	87,930,136	108,525,139
5.1 Marketable securities		450,941	5,134,584	5,585,525	450,939	5,057,844	5,508,783
5.2 Guarantee notes		82,155	1,736,781	1,818,936	80,234	1,661,953	1,742,187
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		378,922	24,949,757	25,328,679	355,357	24,469,785	24,825,142
5.6 Other pledged items		26,154,669	58,249,514	84,404,183	19,708,473	56,740,554	76,449,027
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS		10,362,340	59,216,556	69,578,896	10,251,056	58,236,323	68,487,379
TOTAL OFF BALANCE SHEET ITEMS (A+B)		43,991,538	175,121,233	219,112,771	36,473,260	168,586,487	205,059,747

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

	Note Ref.	Reviewed Current Period 1 January 2016 – 30 June 2016	Reviewed Prior Period 1 January 2015 – 30 June 2015	Reviewed Current Period 1 April 2016 – 30 June 2016	Reviewed Prior Period 1 April 2015 – 30 June 2015
INTEREST INCOME	(1)	646.461	499.887	317.971	273.751
Interest on loans		379.926	312.239	194.512	160.035
Interest received from reserve deposits		1.735	257	891	197
Interest received from banks		3.322	2.734	2.744	1.047
Interest received from money market placements		89.838	26.464	45.336	20.279
Interest received from marketable securities portfolio		171.226	158.134	74.242	92.156
Financial assets held for trading		1.055	549	432	385
Financial assets at fair value through profit and loss		-	-	-	-
Available-for-sale financial assets		130.769	157.585	60.943	91.771
Investments held-to-maturity		39.402	-	12.867	-
Finance lease income		1	1	1	-
Other interest income		413	58	245	37
INTEREST EXPENSES	(2)	(275.014)	(204.896)	(141.927)	(111.810)
Interest on deposits		-	-	-	-
Interest on funds borrowed		(101.986)	(78.024)	(53.691)	(42.044)
Interest on money market borrowings		(114.756)	(90.535)	(56.409)	(46.950)
Interest on securities issued		(58.189)	(36.268)	(31.790)	(22.766)
Other interest expense		(83)	(69)	(37)	(50)
NET INTEREST INCOME (I - II)		371.447	294.991	176.044	161.941
NET FEES AND COMMISSIONS INCOME		2.611	4.532	1.190	2.619
Fees and commissions received		6.127	5.631	3.027	3.246
Non-cash loans		5.604	4.570	2.859	2.576
Other		523	1.061	168	670
Fees and commissions paid		(3.516)	(1.099)	(1.837)	(627)
Non-cash loans		(39)	(3)	(19)	(2)
Other		(3.477)	(1.096)	(1.818)	(625)
DIVIDEND INCOME	(3)	30.102	33.604	20.777	20.229
NET TRADING INCOME	(4)	(35.985)	(4.799)	(23.358)	(11.747)
Securities trading gains/ (losses)		5.395	6.193	1.786	(1.803)
Derivative financial instruments gains/losses		(142.531)	(83.945)	(56.758)	(33.175)
Foreign exchange gains/losses (net)		101.151	72.953	31.614	23.231
OTHER OPERATING INCOME	(5)	13.396	39.787	3.620	655
TOTAL OPERATING INCOME (III+IV+V+VI+VII)		381.571	368.115	178.273	173.697
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(16.822)	(60.996)	(3.736)	(6.942)
OTHER OPERATING EXPENSES (-)	(7)	(60.190)	(52.576)	(32.078)	(25.789)
NET OPERATING INCOME/(LOSS) (VIII-IX-X)		304.559	254.543	142.459	140.966
AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
PROFIT / (LOSS) ON EQUITY METHOD		-	-	-	-
GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		304.559	254.543	142.459	140.966
TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	(55.383)	(44.909)	(25.607)	(25.508)
Provision for current income taxes		(72.482)	(19.581)	(36.472)	(16.702)
Provision for deferred taxes		17.099	(25.328)	10.865	(8.806)
NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(9)	249.176	209.634	116.852	115.458
INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
Income on assets held for sale		-	-	-	-
Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-	-	-
Income on other discontinued operations		-	-	-	-
LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
Loss from assets held for sale		-	-	-	-
Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-	-	-
Loss from other discontinued operations		-	-	-	-
PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-	-	-
TAX PROVISION FOR DISCONTINUED OPERATIONS(±)		-	-	-	-
Provision for current income taxes		-	-	-	-
Provision for deferred taxes		-	-	-	-
NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
NET PROFIT/LOSS (XVII+XXII)	(10)	249.176	209.634	116.852	115.458
Earnings / (losses) per share (Full Kuruş)		0,122	0,102	0,057	0,056

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

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

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

	Reviewed Current Period 1 January 2016– 30 June 2016	Reviewed Prior Period 1 January 2015– 30 June 2015
PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	80.774	(123.757)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)	-	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	41.912	(32.840)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(15.479)	24.319
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	107.207	(132.278)
XI. CURRENT YEAR PROFIT/LOSS	249.176	209.634
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	1.884	7.696
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	247.292	201.938
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	356.383	77.356

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

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

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

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

	Note Ref.	Reviewed Current Period 30 June 2016	Reviewed Prior Period 30 June 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		268.288	440.629
1.1.1 Interest received		525.835	499.214
1.1.2 Interest paid		(153.306)	(185.666)
1.1.3 Dividends received		9.479	8.376
1.1.4 Fees and commissions received		6.127	5.631
1.1.5 Other income		19.082	23.016
1.1.6 Collections from previously written off loans		12.064	85
1.1.7 Payments to personnel and service suppliers		(39.781)	(35.933)
1.1.8 Taxes paid		(77.910)	(32.416)
1.1.9 Others	(1)	(33.302)	158.322
1.2 Changes in operating assets and liabilities		(754.934)	(228.162)
1.2.1 Net (increase) decrease in financial assets		2.610	(23.916)
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		(973.725)	(799.067)
1.2.5 Net (increase) decrease in other assets		78.789	(270.067)
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		20.485	943.558
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	116.907	(78.670)
I. Net cash provided by/(used in) banking operations		(486.646)	212.467
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		(201.845)	(372.243)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed asset purchases		(1.171)	(8.738)
2.4 Fixed asset sales		203	4.715
2.5 Cash paid for purchase of financial assets available for sale		(437.481)	(1.038.001)
2.6 Cash obtained from sale of financial assets available for sale		236.942	669.825
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(1)	(338)	(44)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		816.470	847.168
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		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	(3.055)	10.162
V. Net increase / (decrease) in cash and cash equivalents		124.924	697.554
VI. Cash and cash equivalents at beginning of the period		1.652.278	261.102
VII. Cash and cash equivalents at end of the period		1.777.202	958.656

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

I.a Presentation of financial statements:

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

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

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

Additional paragraph for convenience translation to English

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

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

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

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

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

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

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

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

The fixed rate Eurobond and Greenbond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognised under the statement of profit/loss.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

The hedging strategies for other foreign exchange risk exposures:

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

III. Explanations on forward and option contracts and derivative instruments

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

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

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

IV. Explanations on interest income and expenses

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

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

V. Explanations on fees and commission income and expenses

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets

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

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

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

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

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

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

Cash, Banks and Other Financial Institutions:

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

Marketable Securities:

The Bank classifies its marketable securities in 3 groups:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

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

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

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

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

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

Explanations on investments in associates and subsidiaries

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

Loans:

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

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

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

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

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

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

VII. Explanations on impairment on financial assets

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on impairment on financial assets (continued)

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

Subsequent to the change in the regulation on “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 27947 dated 28 May 2011; in case of the extension of the payment plan of the loans which are followed under loans and receivables, the general loan loss provision ratio for standard and for the first group loans and receivables should not be less than 5 times of the general provision ratio and for the second group loans and receivables should not be less than 2,5 times of the general provision ratio.

As a consequence of the regulation published in Official Gazette No. 28789 dated 8 October 2013 amending the “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, for the banks, of which the consumer loans exceed twenty five percent of total loans, general provision ratio is four percent for consumer loans which are followed under standard loans and receivables except housing loans; and is eight percent for the loans under close monitoring except housing loans. Since the consumer loans of the Bank are composed of personnel loans as of 30 June 2016 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated. As mentioned in the regulations on the same date, the banks could apply general loan loss provision ratios of zero percent for cash and non-cash export loans which are followed as standard loans; and of five per mille and one per mille for cash and non-cash loans, respectively, for small and medium size enterprises. The Bank has started to calculate general loan loss provision thereby using the ratios after publishment date of the regulations.

VIII. Explanations on offsetting of financial assets and liabilities

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

X. Explanations on assets held for sale and discontinued operations

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

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

XI. Explanations on goodwill and other intangible assets

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on tangible assets

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

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

There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards. Depreciation rates and estimated useful lives of tangible assets are as follows.

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

XIII. Explanations on leasing transactions

The Bank as Lessor

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

The Bank as Lessee

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

XIV. Explanations on provisions and contingent liabilities

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on provisions and contingent liabilities (continued)

Explanations on contingent assets

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

XV. Explanations on liabilities regarding employee benefits

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. 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: 28227 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No:2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No:28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and there is no decision taken by the Cabinet with regards to issue at the date of financial statements.

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

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

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

XVI. Explanations on taxation

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on taxation (continued)

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

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

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

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

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

Transfer pricing

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

XVII. Additional explanations on borrowings

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Explanations on share certificates issued

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

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

XIX. Explanations on acceptances

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

XX. Explanations on government incentives

The Bank does not use government incentives.

XXI. Explanations on segment reporting

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXI. Explanations on segment reporting (continued)

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	159.434	212.013	-	371.447
Net Fees and Commission Income	5.591	(2.980)	-	2.611
Other Income	530	-	42.968	43.498
Other Expense	(38.630)	(29.371)	(44.996)	(112.997)
Profit Before Tax	126.925	179.664	(2.030)	304.559
Tax Provision				(55.383)
Net Profit				249.176
Current Period				
Segment Assets	14.249.418	6.952.571	248.734	21.450.723
Investment in Associates and Subsidiaries			340.611	340.611
Total Assets	14.249.418	6.952.571	589.345	21.791.334
Segment Liabilities	16.827.678	1.761.274	419.111	19.008.063
Shareholders' Equity	-	-	2.783.271	2.783.271
Total Liabilities	16.827.678	1.761.274	3.202.382	21.791.334

Prior Period (*)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	158.439	136.552	-	294.991
Net Fees and Commission Income	4.588	9	(65)	4.532
Other Income	84	-	73.308	73.392
Other Expense	(62.375)	(17.326)	(38.671)	(118.372)
Profit Before Tax	100.738	119.235	34.570	254.543
Tax Provision				(44.909)
Net Profit				209.634
Prior Period (**)				
Segment Assets	13.675.479	6.471.096	309.303	20.455.878
Investment in Associates and Subsidiaries	-	-	278.707	278.707
Total Assets	13.675.479	6.471.096	588.010	20.734.585
Segment Liabilities	16.220.868	1.640.878	384.112	18.245.858
Shareholders' Equity	-	-	2.488.727	2.488.727
Total Liabilities	16.220.868	1.640.878	2.872.839	20.734.585

(*) Includes information of 30 June 2015.

(**) Includes information of 31 December 2015.

XXII. Explanations on other matters

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Information related to the components of unconsolidated shareholders' equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 30 June 2016, The Capital adequacy ratio of Bank has been calculated as 15,73%.

	Amount	Amounts related to treatment before 1/1/2014(*)
CORE EQUITY TIER 1 CAPITAL		-
Paid-in capital to be entitled for compensation after all creditors	2.050.374	
Share premiums	-	
Reserves	398.884	
Other comprehensive income according to TAS	115.401	
Profit	249.176	
Current Period Profit	249.176	
Prior Period Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	
Core Equity Tier 1 Capital Before Deductions	2.813.835	
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	30.564	-
Leasehold improvements on operational leases	5.646	-
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	490	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier I Capital	36.700	
Core Equity Tier I Capital	2.777.135	
Preferred Stock not Included in Core Equity and the Related Share Premiums		
Debt instruments and the related issuance premiums defined by the BRSA	-	
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional tier i capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	326	-
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	2.776.809	
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	-	
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	155.154	
Tier II Capital Before Deductions	155.154	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	155.154	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.931.963	
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	379	
Other items to be defined by the BRSA	-	
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		-
Total Capital	2.931.584	-
Total Risk Weighted Assets	18.639.300	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	14,90	-
Tier I Capital Adequacy Ratio (%)	14,90	-
Capital Adequacy Ratio (%)	15,73	-
BUFFERS		
Total buffer requirement (%)	0,63	-
Capital conservation buffer requirement (%)	0,63	-
Bank specific counter-cyclical buffer requirement (%)	0,002	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	7,73	-
Amounts below the Excess Limits as per the Deduction Principles		-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	221.907	-
Remaining mortgage servicing rights	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Excess amount arising from deferred tax assets from temporary differences	37.129	-
Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	155.154	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	155.154	-
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk

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

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

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

	1 US Dollar	1 Euro
The Bank's "Foreign Exchange Valuation Rate"		
30 June 2016	2,8780	3,1934
<u>Prior Five Workdays:</u>		
29 June 2016	2,8800	3,1847
28 June 2016	2,9050	3,2109
27 June 2016	2,9200	3,2225
24 June 2016	2,9500	3,2311
23 June 2016	2,8700	3,2546

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 2,9013 and 3,2516; respectively.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk :

	Euro	US Dollar	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	169.946	490.441	109.822	770.209
Banks	177.477	119.842	1.222	298.541
Financial Assets at Fair Value Through Profit and Loss (*)	37.089	51.907	1.571	90.567
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	31.807	839.450	-	871.257
Loans (**)	5.015.953	7.557.075	-	12.573.028
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	155.232	-	155.232
Derivative Financial Assets for Hedging Purposes	-	65.684	-	65.684
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	3.391	115.544	-	118.935
Total Assets	5.435.663	9.395.175	112.615	14.943.453
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	35.679	35.750	-	71.429
Funds Provided From Other Financial Institutions	5.688.440	7.357.259	-	13.045.699
Marketable Securities Issued	-	2.943.421	-	2.943.421
Miscellaneous Payables (****)	25.232	25.358	36	50.626
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (*****)	38.500	39.710	1.167	79.377
Total Liabilities	5.787.851	10.401.498	1.203	16.190.552
Net Balance Sheet Position	(352.188)	(1.006.323)	111.412	(1.247.099)
Net Off-Balance Sheet Position	349.930	1.062.810	(110.881)	1.301.859
Financial Derivative Assets	992.654	2.891.436	183.378	4.067.468
Financial Derivative Liabilities	(642.724)	(1.828.626)	(294.259)	(2.765.609)
Non-Cash Loans (*****)	725.926	570.879	11.905	1.308.710
Prior Period				
Total Assets	5.339.580	9.781.418	95.865	15.216.863
Total Liabilities	5.688.841	9.724.674	4.452	15.417.967
Net Balance Sheet Position	(349.261)	56.744	91.413	(201.104)
Net Off –Balance Sheet Position	356.414	(47.227)	(89.210)	219.977
Financial Derivative Assets	967.421	1.807.942	122.609	2.897.972
Financial Derivative Liabilities	(611.007)	(1.855.169)	(211.819)	(2.677.995)
Non-Cash Loans (*****)	800.762	579.223	11.880	1.391.865

(*) Exchange rate differences arising from derivative transactions amounting to TL 57.533 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(**) Loans extended include TL 1.308.019 foreign currency indexed loans.

(***) Prepaid expenses amounting to TL 586 and forward foreign exchange purchase transaction rediscounts amounting to TL 329 have not been included in "Other Assets".

(****) Forward foreign exchange purchase transaction rediscounts amounting to TL 311 has not been included in "Miscellaneous Payables".

(*****) Marketable securities valuation increase fund amounting to TL 43.058 and exchange rate differences arising from derivative transactions amounting to TL 58.794 have not been included in "Other Liabilities". Borrower funds amounting TL 6.494 based on foreign currencies have been included in "Other Liabilities".

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	518.528	-	-	-	-	279.780	798.308
Banks	209.772	188.518	-	-	-	8.017	406.307
Financial Assets at Fair Value Through Profit and Loss	33.433	19.296	82.660	40.057	19.121	-	194.567
Money Market Placements	1.117.070	235.840	-	-	-	-	1.352.910
Available-for-Sale Financial Assets	460.341	255.427	1.161.114	719.833	603.122	40.121	3.239.958
Loans	2.050.987	4.132.892	5.390.991	2.286.120	387.343	-	14.248.333
Held-to-Maturity Investments	174.272	525.862	39.471	-	155.232	-	894.837
Other Assets	-	16.766	49.642	361	-	589.345	656.114
Total Assets	4.564.403	5.374.601	6.723.878	3.046.371	1.164.818	917.263	21.791.334
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	2.286.853	67	-	-	-	-	2.286.920
Miscellaneous Payables	-	-	-	-	-	141.277	141.277
Marketable Securities Issued	-	-	-	2.943.421	-	-	2.943.421
Funds Provided from Other Financial Institutions	3.026.868	4.688.642	2.634.989	1.196.325	1.598.923	-	13.145.747
Other Liabilities (**)	64.983	57.796	59.323	30.762	-	3.061.105	3.273.969
Total Liabilities	5.378.704	4.746.505	2.694.312	4.170.508	1.598.923	3.202.382	21.791.334
Balance Sheet Long Position	-	628.096	4.029.566	-	-	-	4.657.662
Balance Sheet Short Position	(814.301)	-	-	(1.124.137)	(434.105)	(2.285.119)	(4.657.662)
Off-Balance Sheet Long Position	-	-	8.174	282	-	-	8.456
Off-Balance Sheet Short Position	(24.755)	(28.466)	-	-	-	-	(53.221)
Total Position	(839.056)	599.630	4.037.740	(1.123.855)	(434.105)	(2.285.119)	(44.765)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	0,50	-	3,94
Banks	0,55	1,05	-	12,06
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,36
Money Market Placements	-	-	-	11,32
Available-for-Sale Financial Assets	5,59	4,71	-	10,41
Loans	3,42	4,97	-	12,15
Held-to-Maturity Investments	-	5,59	-	10,24
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,30	0,50	-	8,78
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,25	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,84	1,87	-	8,12

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk

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

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	206.834	-	206.834
Quoted	206.834	-	206.834
Investment in Shares-Grade B	75.659	-	75.659
Quoted	75.659	-	75.659

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.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk (continued)

Equity shares risk due from banking book (continued)

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(18.772)	(18.772)	-
Other Share Certificates	-	4.593	4.593	-	-	-
Total	-	4.593	4.593	(18.772)	(18.772)	-

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

I. Explanations related to the unconsolidated liquidity risk

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

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

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

Regarding it's risk appetite, in addition to legal limits, Bank also applies internal limits for monitoring and controlling the liquidity risk. In this context, it is limited by minimum 25% for the ratio of cash inflow to cash outflow, and by minimum 20% for the ratio of the difference between total inflow and total outflow to total asset within three months' term. It is determined the base limit as 15% for Liquidity ratio (Liquid Asset/ Total Asset). Also for liquidity adequacy ratios on weekly and monthly basis, the capacity risk rating is set as 110%, that is 10% above legal limit, the level of risk appetite as 115% and the risk limit as 120%. Regarding the total liquidity coverage ratio, at the same level as the legal limit, it is determined the capacity risk as 0%, the risk appetite as 50% and the risk limit as 40%.

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

1.d Information on unconsolidated liquidity risk mitigation techniques

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

1.e Information on the use of stress tests

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Unconsolidated Liquidity Coverage Ratio

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

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
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			700.090	562.980
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	549.904	483.389	489.102	424.735
6 Operational deposits	19.689	16.826	4.922	4.207
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	530.215	466.563	484.180	420.528
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.506.417	1.356.147	1.506.417	1.356.147
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.506.417	1.356.147	1.506.417	1.356.147
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	1.831.389	1.410.729	91.569	70.536
15 Other irrevocable or conditionally revocable commitments	4.025.190	3.682.939	463.850	416.930
16 TOTAL CASH OUTFLOWS			2.550.938	2.268.348
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.048.010	450.911	1.840.619	316.388
19 Other contractual cash inflows	1.545.824	648.329	1.545.824	648.329
20 TOTAL CASH INFLOWS	3.593.834	1.099.240	3.386.443	964.717
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			700.090	562.980
22 TOTAL NET CASH OUTFLOWS			637.735	1.303.631
23 Liquidity Coverage Ratio (%)			110	43

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Unconsolidated Liquidity Coverage Ratio (continued)

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			702.829	595.565
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	380.642	312.240	339.682	272.226
6 Operational deposits	36.351	35.089	9.088	8.772
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	344.291	277.151	330.594	263.454
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.406.094	1.235.636	1.406.094	1.235.636
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.406.094	1.235.636	1.406.094	1.235.636
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	1.859.646	1.309.966	92.982	65.498
15 Other irrevocable or conditionally revocable commitments	4.150.603	3.870.174	582.833	549.546
16 TOTAL CASH OUTFLOWS			2.421.591	2.122.906
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	1.450.121	374.545	1.298.288	276.759
19 Other contractual cash inflows	1.411.050	471.608	1.409.348	471.408
20 TOTAL CASH INFLOWS	2.861.171	846.153	2.707.636	748.167
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			702.829	595.565
22 TOTAL NET CASH OUTFLOWS			605.398	1.374.739
23 Liquidity Coverage Ratio (%)			116	43

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 64% while 87% of it is provided under the guarantee of The Undersecretariat of Treasury of Turkish Republic. The average tenor of long term loans is 11 years. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 21%. 15% of the Bank's total funding is attained through repo transactions.

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

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

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

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

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

None.

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

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	279.780	518.528	-	-	-	-	-	798.308
Banks	8.017	209.772	188.518	-	-	-	-	406.307
Financial Assets at Fair Value Through Profit and Loss	-	2.669	13.312	36.542	23.247	118.797	-	194.567
Money Market Placements	-	1.117.070	235.840	-	-	-	-	1.352.910
Financial Assets Available-for-Sale	-	156.086	23.810	814.546	1.086.381	1.119.014	40.121	3.239.958
Loans	-	446.401	989.279	3.088.391	6.842.328	2.881.934	-	14.248.333
Held-to-Maturity Investments	-	-	-	-	202.052	692.785	-	894.837
Other Assets	-	-	-	724	49.279	16.766	589.345	656.114
Total Assets	287.797	2.450.526	1.450.759	3.940.203	8.203.287	4.829.296	629.466	21.791.334
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	908.986	216.832	1.085.064	5.255.394	5.679.471	-	13.145.747
Money Market Borrowings	-	2.286.853	67	-	-	-	-	2.286.920
Securities Issued	-	-	-	-	2.943.421	-	-	2.943.421
Miscellaneous Payables	-	-	-	-	-	-	141.277	141.277
Other Liabilities (**)	-	30.651	8.263	34.337	63.044	76.569	3.061.105	3.273.969
Total Liabilities	-	3.226.490	225.162	1.119.401	8.261.859	5.756.040	3.202.382	21.791.334
Liquidity Gap	287.797	(775.964)	1.225.597	2.820.802	(58.572)	(926.744)	(2.572.916)	-
Net Off-balance sheet Position	-	(23.847)	(2.021)	(3.749)	(14.851)	(297)	-	(44.765)
Financial Derivative Assets	-	1.602.318	691.768	1.588.240	5.134.316	3.224.096	-	12.240.738
Financial Derivative Liabilities	-	1.626.165	693.789	1.591.989	5.149.167	3.224.393	-	12.285.503
Non-cash Loans (***)	-	13.113	69.207	54.358	437.916	589.557	410.936	1.575.087
Prior Period								
Total Assets	255.844	2.572.887	908.645	3.121.221	8.242.859	5.008.098	625.031	20.734.585
Total Liabilities	-	2.764.425	200.807	1.815.908	7.231.626	5.848.980	2.872.839	20.734.585
Liquidity Gap	255.844	(191.538)	707.838	1.305.313	1.011.233	(840.882)	(2.247.808)	-
Net Off-balance sheet Position	-	(4.099)	(9.660)	(18.966)	(15.589)	2.434	-	(45.880)
Financial Derivative Assets	-	1.517.748	466.271	1.261.331	3.511.988	3.225.292	-	9.982.630
Financial Derivative Liabilities	-	1.521.847	475.931	1.280.297	3.527.577	3.222.858	-	10.028.510
Non-cash Loans (***)	-	7.770	6.596	173.789	707.238	586.622	300.651	1.782.666

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

(**) Borrower funds amounting to TL 8.468 are presented in "Other Liabilities" within 1-month maturity column.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to leverage ratio

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

As of 30 June 2016, leverage ratio of the Bank calculated from the arithmetic average of the three months is 11,04% . Leverage ratio is almost on the same level in the current and prior period.

b) Unconsolidated Leverage Ratio

		Prior Period(*)	Current Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	19.872.393	20.945.276
2	(Assets deducted from Core capital)	(127.184)	(52.864)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	19.745.209	20.892.412
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	199.076	215.523
5	Potential credit risk amount of derivative financial assets and credit derivatives	132.198	171.270
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	331.274	386.793
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	384.893	370.702
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	384.893	370.702
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	6.053.628	5.873.675
11	(Correction amount due to multiplication with credit conversion rates)	(3.342.558)	(3.072.288)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	2.711.070	2.801.387
	Capital and total risk		
13	Core Capital	2.444.127	2.699.803
14	Total risk amount (sum of lines 3, 6, 9 and 12)	23.172.446	24.451.294
	Leverage ratio		
15	Leverage ratio	10,55%	11,04%

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management

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

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

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	16.514.017	15.901.870	1.321.121
2	Standardised approach	16.514.017	15.901.870	1.321.121
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	603.097	687.442	48.248
5	Standardised approach for counterparty credit risk	603.097	687.442	48.248
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	451.200	417.225	36.096
17	Standardised approach	451.200	417.225	36.096
18	Internal model approaches	-	-	-
19	Operational risk	1.070.988	1.070.988	85.679
20	Basic indicator approach	1.070.988	1.070.988	85.679
21	Standart approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	18.639.302	18.077.525	1.491.144

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management (Continued)

Standardised approach – credit risk exposure and Credit Risk Mitigation effects

	Asset classes	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		Balance sheet amount	Off-balance sheet amount	Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	4.687.321	161.509	4.687.321	38.588	905.978	19%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	8.563	-	1.713	1.713	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.493.586	953.932	2.493.586	288.195	902.146	32%
7	Exposures to corporates	12.720.569	4.246.614	12.720.569	1.535.150	13.458.743	94%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial real estate	1.131.357	143.524	1.131.357	134.386	632.871	50%
11	Past-due items	47.865	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, capital market intermediary and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	450.238	356.937	450.239	122.482	572.446	100%
17	Equity share investments	40.120	-	40.120	-	40.120	100%
18	Total	21.571.056	5.871.079	21.523.192	2.120.514	16.514.017	70%

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management (Continued)

Standardised approach - Exposures by asset classes and risk weights

	Asset Classes/ Risk Weights	0%	10%	20%	50 % Secured by Property Mortgage	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and CRM)
1	Exposures to sovereigns and their central banks	2.913.954	-	-	1.811.955	-	-	-	-	-	4.725.909
2	Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	1.713	-	-	-	1.713
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.643.539	1.129.608	-	8.634	-	-	-	2.781.781
7	Exposures to corporates	-	-	-	1.593.952	-	12.661.767	-	-	-	14.255.719
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by residential real estate	-	-	-	-	-	-	-	-	-	-
10	Exposures secured by commercial real estate	-	-	-	1.265.743	-	-	-	-	-	1.265.743
11	Past-due items	-	-	-	-	-	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, capital market intermediary and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	40.120	-	-	-	40.120
17	Other exposures	12	-	329	-	-	572.380	-	-	-	572.721
18	Total	2.913.966	-	1.643.868	5.801.258	-	13.284.614	-	-	-	23.643.706

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management (Continued)

Analysis of counterparty credit risk exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	239.592	175.758	-	-	369.771	246.301
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	370.990	165.333
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	411.634

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management (Continued)

Credit valuation adjustment capital charge

		Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	369.771	191.463
4	Total subject to the CVA capital charge	369.771	191.463

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

Risk weight / Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Exposures to sovereigns and their central banks	5.381	-	-	-	-	-	-	-	5.381
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	662	-	-	662
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and capital market intermediary	-	-	178.030	350.585	-	-	-	-	528.615
Exposures to corporates	-	-	-	12.059	-	189.624	-	-	201.683
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures on landed real estate	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	4.420	-	-	4.420
Other assets	-	-	-	-	-	-	-	-	-
Total	5.381	-	178.030	362.644	-	194.706	-	-	740.761

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management (Continued)

Composition of collateral for counterparty credit risk exposure

	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	47.257	-	-	2.153.538	-
Cash – foreign currency	-	-	-	-	427.768	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	47.257	-	-	2.581.306	-

Market Risk- standardised approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	387.738
2	Equity risk (general and specific)	-
3	Foreign exchange risk	59.188
4	Commodity risk	-
	Opsiyonlar	
5	Simplified approach	-
6	Delta-plus method	4.274
7	Scenario approach	-
8	Securitisation	-
9	Total	451.200

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	12	-	12	-
Balances with the Central Bank of Turkey	28.087	770.209	40.426	770.676
Other	-	-	-	-
Total	28.099	770.209	40.438	770.676

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	28.087	3.468	40.426	3.437
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	766.741	-	767.239
Total	28.087	770.209	40.426	770.676

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

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

In accordance with the regulation issued at 27 January 2015, CBRT has began to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. 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 June 2016 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	Reserve Ratio
Other liabilities until 1 year maturity (1 year included)	11,5
Other liabilities until 3 year maturity (3 year included)	8
Other liabilities more than 5 year maturity	5

Reserve Rates for FC Liabilities (%)		
Original Maturity	Reserve Ratio If the fund borrowed Before 28.08.2015 (*)	Reserve Ratio If the fund borrowed After 28.08.2015 (*)
Other liabilities until 1 year maturity (1 year included)	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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

2.a.1 Trading securities:

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

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

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

As of the reporting date, the Bank has TL 18.949 trading securities subject to repurchase agreements (31 December 2015: None).

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

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

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

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

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

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

Held for Trading Financial Derivative Instruments	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	5.722	3.596	769	2.606
Swap Transactions	20.061	110.214	8.427	83.584
Futures Transactions	-	-	-	-
Options	-	34.310	-	73.596
Other	-	-	-	-
Total	25.783	148.120	9.196	159.786

3. Information on banks and foreign banks account

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	107.766	254.822	324	496.997
Foreign	-	43.719	-	37.508
Branches and head office abroad	-	-	-	-
Total	107.766	298.541	324	534.505

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

3.b Information on foreign banks:

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

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1.381.249	-	1.507.545	-
Treasury bills	-	-	-	-
Other debt securities	-	119.055	-	76.662
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	1.381.249	119.055	1.507.545	76.662

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

All available for sale financial assets given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 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	305.152	640.417	259.298	477.903
Other	-	-	-	-
Total	305.152	640.417	259.298	477.903

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

Available for sale financial assets comprised of government bonds 65,33%, Eurobonds 26,36% and shares and other securities 8,31% (31 December 2015: government bonds 60,36%, Eurobonds 27,98% and shares and other securities 11,66%).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

	Current Period	Prior Period
Debt securities	3.202.709	2.967.995
Quoted on a stock exchange	2.340.426	2.106.882
Unquoted	862.283	861.113
Share certificates	48.166	50.286
Quoted on a stock exchange	28.960	27.737
Unquoted	19.206	22.549
Other Impairment provision(-)	(10.917)	(47.312)
Total	3.239.958	2.970.969

The net book value of unquoted available for sale share certificates is TL 14.318 (31 December 2015: TL 14.147).

5. Information on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	35.399	-	84.840	117.412
Corporate shareholders	35.399	-	84.840	117.412
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	177	-	228	-
Total	35.576	-	85.068	117.412

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

5.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	14.069.706	42.223	-	178.627	128.412	-
Corporation loans	4.264.863	-	-	8.458	8.458	-
Export loans	114.870	-	-	34.753	34.753	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.076.350	-	-	-	-	-
Consumer loans	177	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	7.613.446	42.223	-	135.416	85.201	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	14.069.706	42.223	-	178.627	128.412	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
Cash Loans		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	13.530.744	155.782	-	144.735	54.275	64.267
Corporation loans	4.441.986	-	-	8.867	8.867	-
Export loans	115.914	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1.677.116	-	-	-	-	-
Consumer loans	228	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	7.295.500	155.782	-	135.868	45.408	64.267
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	13.530.744	155.782	-	144.735	54.275	64.267

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of amendments related to the extension of the payment plan		
Extended for 1 or 2 times	42.223	128.412
Extended for 3-4 or 5 times	-	-
Extended for more than 5 times	-	-

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

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
The time extended via the amendment on payment plan		
0-6 Months	-	-
6 Months -12 Months	-	-
1-2 Years	-	36.476
2-5 Years	42.223	79.398
5 Years	-	12.538

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

In relation to the disclosure of changing the conditions of the payment plans of loans, which are followed under standard loans and other receivables and loans and receivables under close monitoring subsequent to the change in the regulation on “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 27947 dated 28 May 2011; the Bank has provided general loan loss provision at a rate of 2,5% for one SME loan customer which is followed under standard loans and other receivables and for six loan customers which are followed under Loans and Other Receivables Under Close Monitoring and which have been extended more than 1 year provided general loan loss provision at a rate of 5%.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

5.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	887.872	-	-	-
Non-specialized loans	887.872	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	13.181.834	42.223	178.627	128.412
Non-specialized loans	13.181.834	42.223	178.627	128.412
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

Prior Period	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
Short-term loans and other receivables	618.693	-	-	-
Non-specialized loans	618.693	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	12.912.051	155.782	144.735	118.542
Non-specialized loans	12.912.051	155.782	144.735	118.542
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TL	30	147	177
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	30	147	177
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	30	147	177

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	178.511	32.171
Private	14.069.822	13.643.308
Total	14.248.333	13.675.479

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	14.182.064	13.588.730
Foreign loans	66.269	86.749
Total	14.248.333	13.675.479

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	370.477	451.705
Indirect loans granted to subsidiaries and associates	-	-
Total	370.477	451.705

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	3.075	3.603
Loans and receivables with doubtful collectability	-	-
Uncollectible loans and receivables	44.790	55.802
Total	47.865	59.405

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
(Gross amounts before provisions)	-	-	10.611
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.611
Prior Period			
(Gross amounts before provisions)	-	-	5.395
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	5.395

5.j.2 Movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Prior period end balance	3.603	-	55.802
Additions (+)	2	-	522
Transfers from other categories of non-performing Loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-)	(530)	-	(11.534)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	3.075	-	44.790
Specific provision (-)	(3.075)	-	(44.790)
Net Balances on Balance Sheet	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans (continued)

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

5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	3.075	-	44.790
Specific Provision Amount (-)	(3.075)	-	(44.790)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	3.603	-	55.802
Loans to Real Persons and Legal Entities (Gross)	(3.603)	-	(55.802)
Specific Provision Amount (-)	-	-	-
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

5.k Main principles of liquidating loans and receivables:

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

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

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

5.m Other explanations and disclosures:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

6. Information on held-to-maturity investments

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	-	-	-
Investments Subject to Repurchase Agreements	738.501	-	714.229	-
Total	738.501	-	714.229	-

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

	Current Period	Prior Period
Government Bonds	894.837	872.602
Treasury Bills	-	-
Other Government Securities	-	-
Total	894.837	872.602

6.3 Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities		
Quoted at stock Exchange	739.605	715.194
Unquoted at stock Exchange	155.232	157.408
Value Increase/ (Decrease)	-	-
Total	894.837	872.602

6.4 Movement of held to maturity investments within the year:

	Current Period	Prior Period
Balances at Beginning of Period	872.602	-
Foreign currency differences on monetary assets	(860)	(789)
Purchases during the period (*)	-	851.290
Cash obtained from sale and amortization	(1.597)	(5.832)
Value changes	-	-
Interest income accruals	24.692	27.933
Balances at End of Period	894.837	872.602

(*) The Bank reclassified the "Eurobond" with nominal value of USD 34.577 from financial assets held-to-maturity portfolio and nominal value of TL 533.626 from "government bond with CPI index" to investments in available-for-sale portfolio in the prior period.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net)

7.a.1 Information on associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,33
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	68,82
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	2.084.098	111.436	613	74.549	-	18.022	11.805	-
2	İş Finansal	3.865.210	713.768	16.642	138.950	-	42.703	42.339	176.247
3	İş Girişim	259.380	257.236	170	5.891	4.580	2.132	2.449	17.431
4	Terme (*)	15.040	3.656	257	123	-	4	30	-
5	Ege Tarım	11.193	11.096	8.182	78	-	35	5	-

(*) Represents for the period ended 31 March 2016 financial statements. Prior year profit/loss is obtained from 31 March 2015 financial statements.

7.a.2 Information on associates:

	Current Period	Prior Period
Balance at the Beginning of the Period	156.008	161.038
Movements During the Period	51.107	(5.030)
Purchases	-	-
Bonus Shares Obtained	19.992	24.760
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase	31.115	-
Provision for Impairment	-	(29.790)
Balance at the End of the Period	207.115	156.008
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

Information on associates sold in the current period

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

Information on associates purchased in the current period

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

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	11.882	11.882
Leasing Companies	176.247	122.527
Financial Service Companies	-	-
Other Financial Associates	17.431	20.044

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	193.678	142.571
Associates quoted on foreign stock exchanges	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net)

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

Current Period	YFAŞ (*)	TSKB GYO (*)
CORE CAPITAL		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	4.868	5.721
Other Comprehensive Income according to TAS	(392)	(17)
Current and Prior Years' Profit/Loss	786	64.472
Leasehold Improvements (-)	(1.029)	-
Intangible Assets (-)	(1.207)	(19)
Total Core Capital	67.301	220.750
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	67.301	220.750

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net) (continued)

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

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

8.b.1 Information on subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Turkey	99,99	99,99
2	Yatırım Finansman Menkul Değerler A.Ş. (YFAŞ)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	72,48

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD	16.319	13.462	1.165	367	-	2,677	1,262	-
YFAŞ. (*)	741.360	68.917	2.661	14.034	803	(2.069)	101	-
TSKB GYO (*)	424.355	220.769	135	306	-	(3.551)	(12.767)	63.012

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

8.b.2 Movement schedule for subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	122.699	134.204
Movements in the period	10.797	(11.505)
Purchases	-	-
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase	10.797	-
Provision for impairment	-	(11.505)
Balance at the end of the period	133.496	122.699
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

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

Subsidiaries disposed in the current period

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

Subsidiaries purchased in the current period

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

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

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	133.117	122.320

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	63.012	52.215
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

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

10. Information on finance lease receivables (net)

10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.214	1.085	98	-
Between 1- 4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	1.214	1.085	98	-

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

	Current Period	Prior Period
Gross investments in finance leases	1.214	98
Unearned revenue from finance leases (-)	(129)	(98)
Cancelled finance leases (-)	-	-
Net investments in finance leases	1.085	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

10. Information on finance lease receivables (net) (continued)

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

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

11. Explanation on derivative financial assets held for hedging purposes

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	65.684	-	4.093
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	65.684	-	4.093

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

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	6.389.160	65.684	-	4.689.900	4.093	(5.799)
FC	6.389.160	65.684	-	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 Statement Effect (Profit/Loss Through Derivative Financial Instruments)
					Assets	Liabilities	
	Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	(51.894)	46.194	-	(5.700)
	Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	(23.652)	15.793	-	(7.859)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Explanations on tangible assets (net)

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

13. Information on intangible assets

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

14. Information on investment property

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	15.462	16.103
Other provisions	14.000	12.000
Marketable securities	5.238	-
Employee benefit provision	2.201	1.750
Valuation of derivative instruments	-	5.802
Other	3.771	488
Total Deferred Tax Asset	40.672	36.143
Deferred tax liability:		
Marketable securities	-	(2.671)
Valuation of derivative instruments	(5.347)	-
Loan commissions accrual adjustment	(8.090)	(7.265)
Useful life difference of fixed assets	(316)	(321)
Other	(2.388)	(2.975)
Total Deferred Tax Liability	(16.141)	(13.232)
Net Deferred Tax Asset	24.531	22.911

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

16. Explanation on assets held for sale

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

17. Information about other assets

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

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

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	5.536	2.128	753	1.348
Swap Transactions	65.796	95.159	42.180	55.518
Futures Transactions	-	-	-	-
Options	-	34.390	-	73.632
Other	1.387	-	-	-
Total	72.719	131.677	42.933	130.498

Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TRY 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 June 2016, the fair value of such swaps is TL (24.903) with a total outstanding notional amount of 150 million US Dollar. The average maturity of such range between 2020 and 2021 years.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Information on funds borrowed

3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	64.112	127.000	223.022
From Foreign Banks, Institutions and Funds	100.048	12.836.509	69.001	12.879.928
Total	100.048	12.900.621	196.001	13.102.950

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	108.890	-	56.360
Medium and long-term	100.048	12.791.731	196.001	13.046.590
Total	100.048	12.900.621	196.001	13.102.950

3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	2.878.000	-	2.026.500
Cost	-	2.867.991	-	2.021.606
Book Value	-	2.943.421	-	2.037.571

As of 27 October 2014, the Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 30 October 2019 with fixed interest rate of 5,375%, 5 years maturity and semiannual coupon payment. As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5.125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5.048% and the coupon rate as 4.875%.

3.d Additional information about the concentrated areas of liabilities:

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

4. Other liabilities which exceed 10% of the balance sheet total and the breakdown of these which constitute at least 20% of grand total

There are no other liabilities, which exceed 10% of the balance sheet total (31 December 2015: None).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Informations on financial lease obligations (net)

5.a Explanations on finance lease payables:

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

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 11 cars and 160 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2015: 2 head office buildings, 1 branch, 11 cars and 100 computers under operational leasing).

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

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

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

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

7. Explanations on provisions

7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	155.154	150.329
Provisions for First Group Loans and Receivables	129.466	129.715
- <i>Additional provisions for the loans with extended payment plan</i>	<i>1.056</i>	<i>6.678</i>
Provisions for Second Group Loans and Receivables	7.425	4.522
- <i>Additional provisions for the loans with extended payment plan</i>	<i>1.004</i>	<i>2.714</i>
Provisions for Non-Cash Loans	2.536	2.721
Other	15.727	13.371

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

The foreign exchange losses on the foreign currency indexed loans amount to TL 5.049 (31 December 2015: TL 1.776). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

7.c The specific provisions provided for unindemnified non cash loans:

As of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 583 (31 December 2015: TL 583).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on provisions (continued)

7.d.1 Provision for possible losses:

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

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

	Current Period	Prior Period
Other Provisions (*)	70.583	60.583
Total	70.583	60.583

(*) Other provisions balance includes amount to TL 70.000 for the risks related to loan portfolio, amount to TL 583 for unindemnified non-cash loans (31 December 2015: TL 60.000 provision).

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate tax payable	36.443	-	41.871	-
Deferred tax liability	-	-	-	-
Total	36.443	-	41.871	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	36.443	41.871
Taxation of securities	549	437
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	2.626	3.085
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	189	193
Other	1.204	1.167
Total	41.011	46.753

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	27	23
Unemployment insurance-Employer	54	46
Other	-	-
Total	81	69

8.b Information on deferred taxes liabilities:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on liabilities regarding assets held for sale

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

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

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

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	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 TL 300.000. In respect of the resolution of the General Assembly, this increase will be incorporated from the profit of the year 2015. The applications to BRSA and CMB related to increase has been performed and the process is finalised as of reporting date.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity (continued)

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

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

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

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

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

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

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

11.g Information on preferred shares:

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

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	5.918	-	(35.994)	-
Valuation Differences	2.303	43.058	(31.066)	11.288
Foreign Exchange Difference	2.507	-	2.427	-
Total	10.728	43.058	(64.633)	11.288

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the off-balance sheet items

1. Explanation 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	588.815	110.589
Commitments for Use Guaranteed Credit Allocation	-	-
Commitments for Stock Brokerage Purchase and Sales	5.268	6.049
Commitments for Letter of Credit	26.098	19.275
Commitments from Forward Short Term Borrowing and Transfers	13.597	103.409
Capital commitments for subsidiaries and associates (*)	63.869	-
Commitments for option forward premiums	-	-
Other	157.875	157.739
Total	855.522	397.061

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

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 521.494 (31 December 2015: TL 585.917).

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

As of the reporting date, total letters of guarantee given by the Bank is TL 1.053.593 (31 December 2015: TL 1.196.749).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	818.011	731.304
With maturity of one year or less than one year	10.937	49.945
With maturity of more than one year	807.074	681.359
Other non-cash loans	757.076	1.051.362
Total	1.575.087	1.782.666

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

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

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

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

2. Explanation related to derivative financial instruments

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

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

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

3. Explanations on loan derivatives and risk exposures

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

4. Explanations on contingent liabilities and assets

There are 35 legal cases against the Bank which are amounting to TL 2.403 as of the reporting date (31 December 2015: TL 1.071 - 32 legal cases).

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

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

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

5. Custodian and intermediary services:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	24.885	2.980	16.146	1.143
Medium and long term loans	79.161	271.820	63.889	230.819
Interest on non-performing loans	1.034	46	174	68
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	105.080	274.846	80.209	232.030

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

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (*)	1.735	-	257	-
Domestic banks	2.493	571	2.571	38
Foreign banks	-	258	121	4
Branches and head office abroad	-	-	-	-
Total	4.228	829	2.949	42

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

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1.025	30	514	35
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	110.077	20.692	136.264	21.321
Investments Held to Maturity	35.083	4.319	-	-
Total	146.185	25.041	136.778	21.356

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	3.833	6.308

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	5.678	11.211	2.975	7.074
The Central Bank of Turkey	-	-	-	-
Domestic banks	3.077	706	1.214	587
Foreign banks	2.601	10.505	1.761	6.487
Branches and head office abroad	-	-	-	-
Other financial institutions	1.079	84.018	-	67.975
Total (*)	6.757	95.229	2.975	75.049

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

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

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

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (*)	-	58.189	-	36.268

(*) 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
Profit	655.580	605.770
Gains on capital market operations	5.927	10.195
Gains on derivative financial instruments (*)	427.580	289.202
Foreign exchange gains	222.073	306.373
Losses (-)	(691.565)	(610.569)
Losses on capital market operations	(532)	(4.002)
Losses on derivative financial instruments (*)	(570.111)	(373.147)
Foreign exchange losses	(120.922)	(233.420)

(*) The foreign exchange gain from derivative transactions amounting to TL 128.474 is presented in "Gains on derivative financial instruments" (30 June 2015: TL 151.374), foreign exchange loss from derivative transactions amounting to TL (276.025) is presented in "Losses on derivative financial instruments" (30 June 2015: TL (247.813)).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	12.064	23.085
Gains on Sale of Assets	173	54
From Associate and Subsidiary Sales	114	-
From Immovable Fixed Asset Sales	-	53
From Property Sales	59	1
From Other Asset Sales	-	-
Other (*)	1.159	16.648
Total	13.396	39.787

(*) Includes income accrual in the amounting TL 12.750 in accordance with the subjects mentioned in Section Five in disclosure No:III-4 in the prior period.

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	524	43.937
III. Group	2	-
IV. Group	-	43.917
V. Group	522	20
General provision expenses	4.825	14.725
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.473	2.334
Trading securities	-	-
Investment securities available for sale	1.473	2.334
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (joint vent.)	-	-
Investment securities held to maturity	-	-
Other (*)	10.000	-
Total	16.822	60.996

(*) Other provision contains amounting to TL 10.000 allocated for the risks related to the loan portfolio.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	35.479	31.343
Reserve for employee termination benefits	850	697
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.517	897
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	208	156
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	10	11
Depreciation expenses of assets for resale	-	9
Impairment expenses of assets held for sale	-	-
Other operating expenses	10.405	10.446
Rent expenses	4.384	3.967
Maintenance expenses	254	542
Advertisement expenses	409	380
Other expenses	5.358	5.557
Loss on sale of assets	-	-
Other	11.721	9.017
Total	60.190	52.576

8. Explanation on tax provision for continued and discontinued operations

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

The Bank's current tax charge for the period is TL 72.482 (30 June 2015: TL 19.581). Deferred tax benefit is TL 17.099 (30 June 2015: TL 25.328 deferred tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 17.099 (30 June 2015: TL 25.328 deferred tax charge).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

As of 30 June 2016, the deferred tax benefit was calculated based on temporary timing differences, is TL 17.099 (30 June 2015: TL 25.328 charge). There is no deferred tax benefit or charge reflected in the income statement on carry forward tax losses, tax deductions and exceptions (30 June 2015: None).

In addition, TL 15.479 deferred tax effect is calculated over the fair value differences on available for sale securities (30 June 2015: TL 24.319).

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

As of 30 June 2016, the current net profit of the Bank has increased by 18,86% compared to the prior net profit (30 June 2015: 5,54%).

10. Information on net profit/loss

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

The Bank has generated TL 646.461 of interest income, TL 275.014 of interest expenses and TL 2.611 of net fee and commission income from banking operations (30 June 2015: TL 499.887 interest income, TL 204.896 interest expense, TL 4.532 net fee and commission income).

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

There has no change in the accounting estimates and accordingly effect on the financial statement items.

10.c Minority share of profit and loss:

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

V. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	451.705	322	53.167	117.412	91.272	-
Balance at End of Period	370.477	462	35.399	-	84.513	-
Interest and Commission Income	3.829	4	588	67	1.996	-

1.b Prior Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	305.972	264	72.954	117.412	79.003	-
Balance at End of Period	451.705	322	53.167	117.412	91.272	-
Interest and Commission Income (*)	6.305	3	834	147	2.100	-

(*) The information is related to 30 June 2015.

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

The Bank is not authorized to accept deposits.

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

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	244.158	97.317	-	-	-	-
End of the Period	147.997	244.158	-	-	-	-
Total Profit / Loss (*)	(8.219)	(1.465)	-	-	-	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

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

Benefits provided to the key management personnel in the current period amount to TL 7.035 (30 June 2015: TL 5.615).

VI. Explanations and notes related to subsequent events

Sürdürülebilir Danışmanlık A.Ş.'s paid-in capital is increased from TL 240 thousands to TL 1,24 million with registration dated 20 July 2016 by the Bank that is indirectly owned to the company through Yatırım Finansman Menkul Değerler A.Ş. which is a subsidiary of the Bank's and its share in the Company is 80,65%. The amount of EUR 1,1 million which is a part of the amount that is committed to pay to the Turkish Growth and Innovation Fund, described in Section Five III-1-1.a footnote, was paid as of 25 July 2016.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SIX

AUDITORS' REVIEW REPORT

I. Explanations on the review report

The unconsolidated financial statements as of and for the six-month period ended 30 June 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 28 July 2016 is presented in the introduction of this report.

II. Explanations and notes prepared by independent auditors

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

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

As of 31 March 2016, Mr. Özcan Türkakın has retired from the Bank's Board Member and Chief Executive Officer positions, to which Mr. Suat İnce was decided to be appointed in 1 April 2016. Aforementioned appointment was announced by a disclosure in the Public Disclosure Platform on 24 March 2016. Following the approval of Banking Regulation and Supervision Agency (BRSA), Mr. İnce started his duty on 11 April 2016. Curriculum vitae of Mr. Suat İnce, Mr. Kemal Saç, Mr. Fikret Utku Özdemir and Mr. Can Yücel are as follows:

Suat İnce

Suat İnce was born in 1964 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Having started his professional career at İşbank as Assistant Inspector on the Board of Inspectors, he was appointed as Assistant Manager of Corporate Loans Underwriting Division in 1995. Between 1997 and 2008, he was positioned as Manager in various units and branches of the bank. He served as Deputy Chief Executive of İşbank between 2008 and 2016. In April 2016, Mr. İnce is elected as a member of the TSKB's Board of Directors and appointed as the Bank's Chief Executive Officer.

Kemal Saç

Kemal Saç was born in 1968 in Ordu and graduated from the Business Administration Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1992. After he worked as Cost Control Coordinator at MNG Holding for a year, he joined İşbank as Assistant Inspector on the Board of Inspectors in 1993. In 2001, Mr. Saç was appointed as Assistant Manager at Financial Affairs Department in which he became a Group Manager in 2005. He has been currently serving as a Unit Manager at Managerial Reporting and Internal Accounting Department since 2008. Kemal Saç also completed the Advanced Management Program (AMP 189) at Harvard Business School in 2015. In June 2016, Mr. Saç has been elected as a member of the TSKB's Board of Directors.

Can Yücel

Can Yücel was born in 1978 in Ankara and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1999. Having started his professional career at İşbank as Assistant Inspector on the Board of Inspectors, he came to several management positions at SME Loan Allocation and Corporate Loan Allocation Departments, respectively, since 2008. In 2011, Mr. Yücel was appointed as Project Finance Unit Manager under Corporate Loan Allocation Department in which he finally has been positioned as the Department Manager in 2016. In June 2016, Mr. Yücel has also been elected as a member of the TSKB's Board of Directors.

Fikret Utku Özdemir

Fikret Utku Özdemir was born in 1970 in Gaziantep and completed his two-year degree on Nuclear Energy Engineering from Hacettepe University and his bachelor degree on Management from Middle East Technical University. Having started his professional career at İşbank on the Board of Inspectors in 1996, he completed his post graduate degree on Finance from Edhec Business School at France. Mr. Özdemir was appointed as the Deputy Manager at Corporate Loans Department in 2006, as Unit Manager at Corporate Loan Allocation Department in 2009 and as Unit Manager at the International Financial Institutions Department in 2013. In 2016, he was appointed and still serves as the Department Manager in charge of Corporate Banking Marketing and Sales. In June 2016, Mr. Özdemir has also been elected as a member of the TSKB's Board of Directors.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

Information on the Bank's Board of Directors Meetings

The Board of Directors made 20 resolutions between 1 January 2016 and 30 June 2016. Members of the Board of Directors were sufficiently involved in the meetings.

ASSESSMENTS OF THE BOARD CHAIRMAN FOR THE PERIOD

Global risk appetite continued to recover in the second quarter despite concerns on growth and geopolitical risks. In June, Britain's referendum on whether to remain in the European Union or not resulted in an unexpected majority decision for "Brexit", leading to a temporary fluctuation in financial markets specifically in Britain and the European Union member states. This also sparked a discussion on the potential negative effects of "Brexit", which led to new uncertainties not only politically but also economically, on the economies of countries party to the treaty. Furthermore, this development was yet another addition to the list of factors supporting expectations that the Fed would not increase interest rates soon.

The Turkish economy continued to grow moderately, with private consumption being the driving force behind this growth. Turkstat announced a growth rate of 4,8% for the first quarter, which is slightly above expectations. As of the end of the first half of the year when foreign exchange rates also turned out to be more stable, annual inflation decreased from 8,8% at the start of the year to 7,6% thanks to the positive outlook in unprocessed food prices and the improvement in core inflation. The downward trend in inflation coupled with the expansionary monetary policy practices by the central banks of developed countries presented a favorable ground for the Central Bank of the Republic of Turkey (CBRT) to reduce interest rates.

In the banking sector, it is observed that interest rate cuts since March had a positive reflection on the funding costs of the banks as well as compensating for the lower than expected CPI-linker returns to contribute to the net interest margin. In the first six months of the year, sector's currency adjusted total loan growth stood at 5,5% whereas NPL ratio of the sector recorded a slight increase to above 3% levels. However, when the recurrent fluctuations in the domestic and international markets on the back of uncertainties are considered, it is observed that the asset quality in the sector is very well preserved and managed.

The second quarter of 2016 marked a strong period for TSKB, whose business model is quite unique relative to other banks. We are fully convinced that TSKB, which delivered a successful performance at the first half of the year, will continue to grow its assets soundly and announce stellar results to shareholders in the upcoming periods.

Sincerely,
Adnan Bali
Chairman of the Board

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD

In the second quarter of 2016, Turkey continued decoupling positively despite the increase in global volatilities. Furthermore, the banking sector maintained its controlled growth as a result of the tight monetary policy and macro-prudential measures imposed by the CBRT. TSKB continued to deliver its operations in the same period in line with its mission and the "sustainable banking" approach. Expanding its assets soundly and strengthening its equity uninterruptedly, the Bank also achieved success in terms of obtaining funds from international markets under its funding diversification strategy.

In May, TSKB, the leading bank in sustainability, became the first Turkish bank to issue "green/sustainable bonds" in international markets. Allocating resources to Turkish private sector for its transition to low-carbon economy, our Bank achieved huge success when our bond issuance worth USD 300 million on a 5 year maturity attracted a demand of more than 13 folds. The aforementioned funding will be extended to only green and sustainable projects.

In June, TSKB signed an agreement with KfW to secure a "Credit Line for Combat Against Climate Change" worth Euro 150 million. Secured on a 5 year maturity without a guarantee from the Republic of Turkey Prime Ministry Undersecretariat for Treasury, the said fund will be extended by the Bank for the financing of investments around Turkey in the areas of renewable energy, environment, resource and energy efficiency.

Standing out as Turkey's first carbon neutral bank, TSKB maintains the transition of the Turkish private sector to a lower carbon and more efficient production level among its priorities. 50% of the Bank's loan portfolio is comprised of sustainable investments as a result of loans extended to this end. Through the support it extends to such projects, TSKB also contributes to a reduction in annual carbon dioxide emissions in Turkey by 8,3 million tons. Issuing its fifth sustainability report this year and making it available to its stakeholders in line with the GRI-G4 principles on 3 June 2016, which marks the World Environment Day, TSKB will exponentially increase its support to sustainability each year and continue to be the leader in "sustainable banking".

TSKB renewed its syndicated loan by more than 200% last year and further improved its record this year when it increased its syndicated loan to USD 274 million. Comprised of two different tranches in Euro and USD on a 367-day maturity, the syndicated loan was participated by a total of 16 banks from 10 countries. A renewal rate of more than 100% was the primary highlight for the loan, which served as a reconfirmation of the confidence the world of finance had in TSKB. Through this syndicated loan, our Bank aims to offer solutions to private sector companies regarding their foreign trade financing agreements and project finance loans as well as any short-term needs.

Diversifying its resources based on solid and long-term cooperation it established with international financial institutions, our Bank also continues to grow its loan portfolio in a sound manner. In the first six months, the Bank's assets surged up by 5,1% to TL 21.8 billion and its total loan portfolio grew by 4,2% on fx adjusted basis to TL 14,2 billion. TSKB expanded its equity by 11,8% to TL 2,8 billion on a year-to-date basis and obtained a net profit of TL 249.2 million in this period with an annual increase of 18,9%. As of the end of June, the Bank's capital adequacy ratio stood at 15,7%, 80 basis points over the 2015 year-end ratio.

Sincerely,
Suat İnce
CEO and Board Member

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD

Economic Developments during the First 6 Months of 2016

In the first quarter of 2016, Turkish economy grew by 4,8% on a year-on-year basis. Strong domestic demand stood out as the main driver for growth in the first quarter. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 0,75% in the first quarter of 2016 when compared to the previous quarter. As of the end of March 2015, the size of Turkish economy stood at TL 2,0 trillion (USD 708 billion).

Inflation data by Turkstat revealed that annual inflation based on consumer prices was 7,64% as of June 2016. Having completed the year 2015 at 8,81%, the annual inflation figure mainly came down due to the appreciation of TL starting from mid-February, the decrease in the currency impact from last year and the surprising decline in food prices. The government's 2016 year-end inflation expectation is around 7,5% as stated in the medium term program.

Turkstat data indicates that industrial production increased by 7% in May 2016 on a year-on-year basis. Indexes adjusted for calendar effects indicate that industrial production rose annually by 5,6% in May on. In the first five months of the year, total industrial production recorded a strong upswing of 4,9% on a year-on-year basis.

As of the end of May 2016, the annualized foreign trade deficit shrunk to USD 57.6 billion, the lowest level in the last six years. In the first five months of the year, exports contracted by 4% and imports plunged down by 10% on a year-on-year basis while foreign trade deficit went down by 21% to USD 21 billion. In this period, the ratio of exports to imports stood at 73,3%.

Current accounts deficit followed a downward trend in 2016 in line with the contraction in foreign trade deficit, shrinking down by 27% on a year-on-year basis to USD 13.7 billion in the first five months of the year. Furthermore, annual current accounts deficit went down from USD 32.2 billion at 2015 year-end to USD 27.2 billion as of the end of May 2016.

Financial Markets

Having a negative start at the year due to growth concerns, low commodity prices and concerns that the Fed would increase rates, financial markets started to recover thanks to the price adjustment movement starting first in oil and commodity prices 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 first six months of the year, the S&P 500 Index in the US rose by 2,7% and the MSCI Emerging Markets Index (MSCI EM) by 5,1% while the Dax in Germany decreased by 9,9% and the Nikkei in Japan by 18,1%.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

In domestic markets, the increase in domestic political risk perception disrupted the foreign-indexed outlook through the replacement of the prime minister at the beginning of May, causing Turkish assets to diverge negatively from foreign ones. Following the announcement of the new government, domestic markets started to adopt an outlook in line with the announcements by the Fed and the pricing in relation to the British referendum. Furthermore, the Central Bank reduced the overnight lending rate from 10,75% to 9% with a decrease of 175 basis points in line with the simplification policy after the ease in global volatility, the reduction in food prices and the contraction in inflation depending on the diminishing currency impact from 2015 which all provided a favorable outlook. With these developments, the two-year fixed-coupon benchmark bond interest rate went down to 8,74% at the end of June from 10,86% at the beginning of the year. In the first six months, BIST-100 increased by 7,1% and closed the period at 76.817.

Banking Sector

The slowdown in loan growth rate since the second half of 2015 continued in the first half of 2016. When compared to the beginning of the year, the currency adjusted growth rate of total loans in the last twelve months plunged down from 14% to 10%. In the same period, the annual loan growth rate for corporate loans went down from 17% to 12%. Total loans adjusted for currency impact rose by 2,2% in the first quarter and by 3,2% in the second quarter, the latter taking place with the contribution of seasonality. The total loan growth of 5,5% in the first six 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 6,4%, which is higher than total loans, a slower increase by 340 basis points is observed on a year-on-year basis. The year-to-date growth in consumer loans stood at 3,5%.

On the other hand, the deposit growth rate recorded a limited decrease when compared to the first quarter. Deposits adjusted for currency impact increased by 3,4% in the first quarter and by 2,1% in the second quarter, thus recording a growth of 5,6% in the first half of 2016. The loan-to-deposit ratio has been moving horizontally within the range of 116-118% since November 2015 and stood at 117% as of the end of June.

Change YTD	TL Terms	FX Adjusted Terms
Loans	5,4%	5,5%
Deposit	5,4%	5,6%

Source: BRSA Weekly Bulletin, 1 July 2016

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

GENERAL ASSEMBLY MEETING RESOLUTIONS

The Bank's annual Ordinary General Assembly Meeting was held on 24 March 2016 at the Headquarters.

The Ordinary General Assembly Meeting for 2015 convened with the physical and electronic attendance of 147,511,056,166 shares corresponding to a capital of TL 1.475.110,561 over 175,000,000,000 shares corresponding to the Bank's total capital of TL 1.750 million.

At the meeting, the Shareholders unanimously accepted the motions of:

- Commencement, constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly,
- determination of the upper limit for donations to be made within the year 2016.

And the motions regarding:

- Review and discussion of the Annual Reports of the Board of Directors, Declaration of Compliance with the Corporate Governance Principles and Independent Auditors regarding the accounts and transactions of the Bank within the year of 2015,
- Review, discussion and approval of the balance sheet and profit and loss statement of the Bank for the year of 2015,
- Election of Mr. Zeynep Hansu Uçar as member of the Board of Directors in replacement of Mr. Ertan Burhanettin Kantar who had resigned,
- Release of the Members of the Board of Directors,
- Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend allotment date,
- Determination of allowance for the Members of the Board of Directors,
- Election of Independent Audit Firm,
- Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,

were accepted by majority of votes.

The General Assembly was informed about the donations made throughout the year. Transactions listed in article 1.3.6 of the Capital Markets Board's (CMB) Corporate Governance Communiqué no II-17.1 were presented to the General Assembly.

HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

In parallel to its annual objectives, the Bank continues to diversify, enrich and expand its resources. In May, the Bank issued "green/sustainable bonds" in international markets to become the first bank in Turkey to issue green bonds. The funds eligible for extension for the financing of green and sustainable projects amount to USD 300 million on a 5 year maturity.

In June, TSKB secured a "Credit Line for Combat Against Climate Change" worth Euro 150 million from the German Development Bank on a 5 year maturity. The Bank aims to utilize the said credit line to finance renewable energy, environment, resource and energy efficiency investments around Turkey within the scope of combating climate change.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

Another highlight from June was the syndicated loan, which was renewed at a rate over 100%. Comprised of two different tranches in Euro and USD on a 367-day maturity, the syndicated loan worth USD 274 million was participated by a total of 16 banks from 10 countries.

During the period, the Bank received prominent awards in the fields of project finance and sustainability. Emea Finance awarded TSKB for "the best energy infrastructure financing" for Kızıldere 3 Geothermal Power Plant Project by Zorlu and for "the best privatization financing" for Yeniköy & Kemerköy Power Plants taken over by IC İçtaş and Limak. Both projects were financed by TSKB. In addition, TSKB received the "Low Carbon Hero Award" for the second time in a row at Istanbul Carbon Summit, the third of which was held by the Sustainable Production and Consumption Association.

Developments Regarding the Bank's Corporate Governance Operations

Mr. Kemal Serdar Dişli, Mr. Murat Bilgiç and Mr. Uygur Şafak Ögün resigned from their duties as members of our Bank's Board of Directors. To this end, during the meeting of our Bank's Board of Directors on 2 June 2016, it was decided that,

- Mr. Kemal Saç, Mr. Fikret Utku Özdemir and Mr. Can Yücel be appointed to the vacant seats at the Board of Directors in line with Article 363 of the Turkish Commercial Code,
- Ms. Ebru Özşuca, a Board member, be appointed as the Vice Chairman of the Board due to the changes in Board membership,
- The current Committee Members be re-appointed as follows:
- Mr. Kemal Saç and Mr. Can Yücel be appointed as members of the Audit Committee,
- Ms. Zeynep Hansu Uçar, Mr. Fikret Utku Özdemir and Mr. Ömer Eryılmaz be appointed as members of the Corporate Governance Committee,
- Ms. Zeynep Hansu Uçar and Mr. Kemal Saç be appointed as members of the Remuneration Committee,
- Mr. Kamil Yılmaz, Ms. Ebru Özşuca, Mr. Ömer Eryılmaz and Ms. Çiğdem İçel be appointed as members of the Sustainability Committee.

Upon obtaining required permissions and approvals from the BRSA, CMB and the Ministry of Industry and Trade, a total capital increase through bonus issues worth TL 300.000.000 was carried out on 20 June 2016 in a way to be fully covered from retained earnings.

FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD

The summary for the Bank's main financial indicators as of 30 June 2016 is provided below:

The total asset size grew by 16.6% on a year-on-year basis and by 5,1% compared to 2015 year-end to reach TL 21.790 million.

The total loan portfolio stood at TL 14.249 million, marking an increase of 11,6% on a year-on-year basis and 4,2% on a year-to-date basis. The growth in loans adjusted for currency impact stood at 4,2% on a year-to-date basis. The ratio of non-performing loans to total loans decreased to 0,3% in the first six months.

The Bank's equity rose by 21,8% on a year-on-year basis and by 11,8% compared to 2015 year-end to reach TL 2.783 million. Standing at 14,9% as of 2015 year-end, the capital adequacy ratio increased to 15,73% as of the end of June 2016.

As of 30 June 2016, net profit increased by 18,9% on an annual basis to reach TL 249.176 thousand.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INFORMATION ON INTERIM ACTIVITY REPORT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

Return on equity was 18,3% in June 2015, decreasing to 17% at 2015 year-end before rising up to 18,9% in June 2016.

Return on assets was 2,4% in June 2015, decreasing to 2,2% at 2015 year-end before rising up to 2,3% in June 2016.

In the first six months of 2016, total operating income increased by 3,7% on an annual basis to reach TL 381.6 million while other operating expenses rose by 14.5% to TL 60.2 million. The expense-to-income ratio was recorded to be 14,3% in the first six months of 2015 and at 2015 year-end before rising slightly to reach 15,8% in the first six months of 2016.

Forward Looking Expectations

No amendments were introduced to the Bank's 2016 financial goals announced publicly on the Public Disclosure Platform on 8 January 2016. In terms of macroeconomic expectations, following Turkstat's announcement of Turkey's growth figures for the first quarter, the year-end growth estimate was revised from 3,2% to 3,5% on an expectation that the construction sector would maintain its sound growth in the remainder of the year.

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

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>