



Türkiye Sınai Kalkınma Bankası Anonim Şirketi

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

1 February 2017

*This report contains "Auditors' Independent Report"
comprising 2 pages and; "Unconsolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 134 pages.*



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**Convenience Translation of the Auditors' Report
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)**

To the Board of Directors of Türkiye Sınai Kalkınma Bankası Anonim Şirketi;

Report on the Unconsolidated Financial Statements

We have audited the unconsolidated financial statements of Türkiye Sınai Kalkınma Bankası ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2016 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Unconsolidated Financial Statements

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

Auditor's Responsibility

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



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

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

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Sınai Kalkınma Bankası AŞ as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TTK and provisions of the Bank's articles of association in relation to financial reporting.

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

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

Erdal Tıkmak
Partner, SMMM

1 February 2017
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

- GENERAL INFORMATION ABOUT THE 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
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

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

1 February 2017

Adnan BALI

**Chairman of
Board of Directors**

Suat İNCE

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

Ece BÖRÜ

**Executive Vice President
In Charge of Financial
Reporting**

Tolga SERT

**Head of Financial
Control Department**

Kemal SAĞ

Member of Audit Committee

Can YÜCEL

Member of Audit Committee

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

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TÜRKİY TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

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

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

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

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

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

Prior Period	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 50,65% of the shares belongs to İş Bank Group and 39,07% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

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

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

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

General Manager and Vice Presidents

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

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

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

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

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

(5) In the Board of Directors meeting held on 2 June 2016, Mr. Kemal Serdar Dişli and Uygur Şafak 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.

(6) Refers to the duties and responsibilities of the Bank after the organizational changes according to the decision of Board of Directors numbered 2291 dated 29 Aralık 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 YEAR ENDED 31 DECEMBER 2016

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

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

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:

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

İş Finansal Kiralama A.Ş.:

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

İş Faktoring A.Ş.:

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,65% in which the share of İş Yatırım Menkul Değerler A.Ş. is 29,29%. The company's headquarters is located at Istanbul/Turkey.

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2016

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

ASSETS	Note Ref.	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	161.303	616.771	778.074	40.438	770.676	811.114
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	130.477	249.626	380.103	37.429	159.786	197.215
2.1 Trading financial assets		130.477	249.626	380.103	37.429	159.786	197.215
2.1.1 Public sector debt securities		4.658	-	4.658	28.233	-	28.233
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		125.819	249.626	375.445	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)	15.360	48.093	63.453	324	534.505	534.829
IV. MONEY MARKET PLACEMENTS		62.895	191.138	254.033	1.080.274	-	1.080.274
4.1 Interbank money market placements		-	191.138	191.138	-	-	-
4.2 İstanbul Stock Exchange money market placements		62.895	-	62.895	1.080.274	-	1.080.274
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.050.318	1.020.104	3.070.422	2.123.150	847.819	2.970.969
5.1 Share certificates		30.091	18.582	48.673	26.901	10.120	37.021
5.2 Public sector debt securities		1.823.078	967.854	2.790.932	1.793.224	831.327	2.624.551
5.3 Other marketable securities		197.149	33.668	230.817	303.025	6.372	309.397
VI. LOANS AND RECEIVABLES	(5)	2.595.797	14.722.796	17.318.593	2.414.222	11.261.257	13.675.479
6.1 Loans and receivables		2.595.797	14.722.796	17.318.593	2.414.222	11.261.257	13.675.479
6.1.1 Loans to the risk group of the Bank		245.062	212.410	457.472	388.155	207.989	596.144
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.350.735	14.510.386	16.861.121	2.026.067	11.053.268	13.079.335
6.2 Non-performing loans		47.077	1.362	48.439	57.754	1.651	59.405
6.3 Specific provisions (-)		(47.077)	(1.362)	(48.439)	(57.754)	(1.651)	(59.405)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	1.188.990	186.739	1.375.729	715.194	157.408	872.602
8.1 Public sector debt securities		1.188.990	186.739	1.375.729	715.194	157.408	872.602
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	222.908	-	222.908	156.008	-	156.008
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		222.908	-	222.908	156.008	-	156.008
9.2.1 Financial investments		221.353	-	221.353	154.453	-	154.453
9.2.2 Non-financial investments		1.555	-	1.555	1.555	-	1.555
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	129.363	-	129.363	122.699	-	122.699
10.1 Unconsolidated financial subsidiaries		127.984	-	127.984	122.320	-	122.320
10.2 Unconsolidated non-financial subsidiaries		1.379	-	1.379	379	-	379
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	-	3.792	3.792	-	-	-
12.1 Finance lease receivables		-	4.393	4.393	-	98	98
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(601)	(601)	-	(98)	(98)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	272	272	-	4.093	4.093
13.1 Fair value hedge		-	272	272	-	4.093	4.093
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	51.112	-	51.112	48.515	-	48.515
XV. INTANGIBLE ASSETS (Net)	(13)	949	-	949	686	-	686
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		949	-	949	686	-	686
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	14.195	-	14.195	22.911	-	22.911
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		14.195	-	14.195	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)	61.734	276.841	338.575	56.133	181.058	237.191
TOTAL ASSETS		6.685.401	17.316.172	24.001.573	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 31 DECEMBER 2016

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

		Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015			
LIABILITIES		Note Ref.	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
1.1	Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	110.645	210.003	320.648	42.933	130.498	173.431
III.	FUNDS BORROWED	(3)	100.083	15.740.884	15.840.967	196.001	13.102.950	13.298.951
IV.	MONEY MARKET BALANCES		844.500	60.998	905.498	2.123.487	45.994	2.169.481
4.1	Interbank money market takings		610.144	-	610.144	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements		234.356	60.998	295.354	2.123.487	45.994	2.169.481
V.	MARKETABLE SECURITIES ISSUED (Net)	(3)	-	3.486.732	3.486.732	-	2.037.571	2.037.571
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	3.486.732	3.486.732	-	2.037.571	2.037.571
VI.	BORROWER FUNDS		1.511	3.806	5.317	1.690	28.987	30.677
6.1	Borrower funds		1.511	3.806	5.317	1.690	28.987	30.677
6.2	Others		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		100.476	73.462	173.938	93.141	24.104	117.245
VIII.	OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	(5)	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	51.433	51.433	-	5.799	5.799
XI.	PURPOSES	(6)	-	51.433	51.433	-	5.799	5.799
11.1	Fair value hedge		-	51.433	51.433	-	5.799	5.799
11.2	Cash flow hedge		-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	(7)	278.392	-	278.392	220.045	-	220.045
12.1	General loan loss provisions		178.463	-	178.463	150.329	-	150.329
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		9.346	-	9.346	9.133	-	9.133
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		90.583	-	90.583	60.583	-	60.583
XIII.	TAX LIABILITY	(8)	10.309	-	10.309	46.822	-	46.822
13.1	Current tax liability		10.309	-	10.309	46.822	-	46.822
13.2	Deferred tax liability		-	-	-	-	-	-
	PAYABLES RELATED TO ASSETS HELD FOR SALE AND		-	-	-	-	-	-
XIV.	DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	-	-	-	145.836	145.836
XVI.	SHAREHOLDERS' EQUITY		2.955.113	(26.774)	2.928.339	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		29.784	(26.774)	3.010	(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)	(5.695)	(26.774)	(32.469)	(64.633)	11.288	(53.345)
16.2.4	Tangible assets revaluation differences	(11)	34.702	-	34.702	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		777	-	777	57	-	57
16.3	Profit reserves		398.884	-	398.884	353.822	-	353.822
16.3.1	Legal reserves	(11)	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	(11)	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		476.445	-	476.445	406.845	-	406.845
16.4.1	Prior years' income/losses		-	-	-	-	-	-
16.4.2	Current year income/loss		476.445	-	476.445	406.845	-	406.845
TOTAL LIABILITIES AND EQUITY			4.401.029	19.600.544	24.001.573	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 31 DECEMBER 2016

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

		Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
	Note Ref	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8.126.550	35.667.704	43.794.254	3.573.336	22.330.276	25.903.612
I. GUARANTEES AND COLLATERALS	(1)	210.450	1.458.760	1.669.210	390.801	1.391.865	1.782.666
1.1 Letters of guarantee		210.450	764.943	975.393	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		210.450	764.943	975.393	390.801	805.948	1.196.749
1.2 Bank acceptances		-	17.450	17.450	-	19.027	19.027
1.2.1 Import letters of acceptance		-	17.450	17.450	-	19.027	19.027
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	676.367	676.367	-	566.890	566.890
1.3.1 Documentary letters of credit		-	676.367	676.367	-	566.890	566.890
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	-	-	-	-	-
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	1.535.728	6.271.098	7.806.826	526.242	3.583.563	4.109.805
2.1 Irrevocable commitments		239.369	298.218	537.587	93.660	303.401	397.061
2.1.1 Forward asset purchase and sales commitments		23.159	55.320	78.479	55.547	55.042	110.589
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	68.367	68.367	-	-	-
2.1.4 Loan granting commitments		-	-	-	-	-	-
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		-	-	-	-	-	-
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		216.210	174.531	390.741	38.113	248.359	286.472
2.2 Revocable commitments		1.296.359	5.972.880	7.269.239	432.582	3.280.162	3.712.744
2.2.1 Revocable loan granting commitments		1.296.359	5.972.880	7.269.239	432.582	3.280.162	3.712.744
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	6.380.372	27.937.846	34.318.218	2.656.293	17.354.848	20.011.141
3.1 Derivative financial instruments for hedging purposes		-	7.747.800	7.747.800	-	4.689.900	4.689.900
3.1.1 Fair value hedge		-	7.747.800	7.747.800	-	4.689.900	4.689.900
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		6.380.372	20.190.046	26.570.418	2.656.293	12.664.948	15.321.241
3.2.1 Forward foreign currency buy/sell transactions		249.785	881.330	1.131.115	47.844	359.244	407.088
3.2.1.1 Forward foreign currency transactions-buy		126.329	441.469	567.798	23.898	180.556	204.454
3.2.1.2 Forward foreign currency transactions-sell		123.456	439.861	563.317	23.946	178.688	202.634
3.2.2 Swap transactions related to f.c. and interest rates		2.891.385	15.498.438	18.389.823	1.554.677	10.793.868	12.348.545
3.2.2.1 Foreign currency swaps-buy		954.500	2.939.433	3.893.933	621.999	1.978.589	2.600.588
3.2.2.2 Foreign currency swaps-sell		1.896.061	1.826.119	3.722.180	887.822	1.671.255	2.559.077
3.2.2.3 Interest rate swaps-buy		20.412	5.366.443	5.386.855	22.428	3.572.012	3.594.440
3.2.2.4 Interest rate swaps-sell		20.412	5.366.443	5.386.855	22.428	3.572.012	3.594.440
3.2.3 Foreign currency, interest rate and securities options		3.239.202	3.692.734	6.931.936	1.053.772	1.422.626	2.476.398
3.2.3.1 Foreign currency options-buy		1.619.601	1.846.367	3.465.968	526.886	711.313	1.238.199
3.2.3.2 Foreign currency options-sell		1.619.601	1.846.367	3.465.968	526.886	711.313	1.238.199
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	117.544	117.544	-	89.210	89.210
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		42.733.558	190.380.447	233.114.005	32.899.924	146.256.211	179.156.135
IV. ITEMS HELD IN CUSTODY		239.987	130.993	370.980	2.053.865	89.752	2.143.617
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		34.244	130.993	165.237	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		205.743	-	205.743	2.000.451	-	2.000.451
V. PLEDGED ITEMS		31.660.545	112.960.070	144.620.615	20.595.003	87.930.136	108.525.139
5.1 Marketable securities		450.941	7.564.328	8.015.269	450.939	5.057.844	5.508.783
5.2 Guarantee notes		96.871	2.041.938	2.138.809	80.234	1.661.953	1.742.187
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		428.385	29.854.058	30.282.443	355.357	24.469.785	24.825.142
5.6 Other pledged items		30.684.348	73.499.746	104.184.094	19.708.473	56.740.554	76.449.027
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS		10.833.026	77.289.384	88.122.410	10.251.056	58.236.323	68.487.379
TOTAL OFF BALANCE SHEET ITEMS (A+B)		50.860.108	226.048.151	276.908.259	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 STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Note Ref.	Audited Current Period 1 January 2016 – 31 December 2016	Audited Prior Period 1 January 2015 – 31 December 2015
I. INTEREST INCOME	(1)	1.376.480	1.079.798
1.1 Interest on loans		845.107	661.749
1.2 Interest received from reserve deposits		3.371	1.235
1.3 Interest received from banks		12.021	3.459
1.4 Interest received from money market placements		162.956	95.685
1.5 Interest received from marketable securities portfolio		352.241	317.478
1.5.1 Financial assets held for trading		1.391	1.699
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		263.787	286.924
1.5.4 Investments held-to-maturity		87.063	28.855
1.6 Finance lease income		27	1
1.7 Other interest income		757	191
II. INTEREST EXPENSES	(2)	(599.292)	(454.727)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(242.405)	(174.152)
2.3 Interest on money market borrowings		(206.844)	(187.500)
2.4 Interest on securities issued		(149.831)	(92.869)
2.5 Other interest expense		(212)	(206)
III. NET INTEREST INCOME (I - II)		777.188	625.071
IV. NET FEES AND COMMISSIONS INCOME		4.935	11.418
4.1 Fees and commissions received		11.968	13.813
4.1.1 Non-cash loans		10.876	11.488
4.1.2 Other		1.092	2.325
4.2 Fees and commissions paid		(7.033)	(2.395)
4.2.1 Non-cash loans		(303)	(8)
4.2.2 Other		(6.730)	(2.387)
V. DIVIDEND INCOME	(3)	30.102	33.604
VI. NET TRADING INCOME	(4)	(54.782)	(1.983)
6.1 Securities trading gains/ (losses)		5.917	3.651
6.2 Derivative financial instruments gains/losses		174	(106.758)
6.3 Foreign exchange gains/losses (net)		(60.873)	101.124
VII. OTHER OPERATING INCOME	(5)	15.078	41.829
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		772.521	709.939
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(63.635)	(100.025)
X. OTHER OPERATING EXPENSES (-)	(7)	(115.634)	(101.459)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		593.252	508.455
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	(8)	593.252	508.455
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(116.807)	(101.610)
16.1 Provision for current income taxes		(98.641)	(76.641)
16.2 Provision for deferred taxes		(18.166)	(24.969)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	476.445	406.845
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	476.445	406.845
Earnings / (losses) per share (Full Kuruş)		0,232	0,198

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

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

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

	Audited Current Period 1 January 2016– 31 December 2016	Audited Prior Period 1 January 2015– 31 December 2015
PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(43.241)	(173.789)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	3.530	32.014
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	1.816	2.427
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)	-	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	53.471	(18.789)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	9.450	32.960
NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	25.026	(125.177)
XI. CURRENT YEAR PROFIT/LOSS	476.445	406.845
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	3.402	9.844
11.2 Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	473.043	397.001
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	501.471	281.668

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Other Capital Reserves	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
I.	Prior Period – 31 December 2015																			
	Opening Balance		1.500.000	374	-	-	173.329	75.641	54.612	2.909	-	369.274	102.626	9.320	-	-	-	2.288.085	-	2.288.085
II.	Changes during the period																			
	Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	(158.398)	-	-	-	-	(158.398)	-	(158.398)
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	(7.616)	-	38.028	-	-	-	30.412	-	30.412
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	2.427	-	-	-	-	2.427	-	2.427
IX.	Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(1)	250.000	-	-	-	-	-	-	-	-	(234.000)	-	(16.000)	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		250.000	-	-	-	-	-	-	-	-	(234.000)	-	(16.000)	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	(317)	-	-	-	-	-	(65)	-	-	-	-	-	-	-	(382)	-	(382)
XVII.	Period net income		-	-	-	-	-	-	-	-	406.845	-	-	-	-	-	-	406.845	-	406.845
XVIII.	Profit distribution		-	-	-	-	19.305	-	28.091	-	-	(127.658)	-	-	-	-	-	(80.262)	-	(80.262)
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	(80.262)	-	-	-	-	-	(80.262)	-	(80.262)
18.2	Transfers to reserves		-	-	-	-	19.305	-	28.091	-	-	(47.396)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance		1.750.000	57	-	-	192.634	75.641	82.703	2.844	406.845	-	(53.345)	31.348	-	-	-	2.488.727	-	2.488.727
I.	Current Period – 31 December 2016																			
	Opening Balance		1.750.000	57	-	-	192.634	75.641	82.703	2.844	-	406.845	(53.345)	31.348	-	-	-	2.488.727	-	2.488.727
	Changes during the period																			
II.	Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	19.060	-	-	-	-	19.060	-	19.060
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	(20)	-	3.354	-	-	-	3.334	-	3.334
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	1.816	-	-	-	-	1.816	-	1.816
IX.	Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(1)	300.000	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		300.000	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	720	-	-	-	-	-	76	-	-	-	-	-	-	-	796	-	796
XVII.	Period net income		-	-	-	-	-	-	-	-	476.445	-	-	-	-	-	-	476.445	-	476.445
XVIII.	Profit distribution		-	-	-	-	21.289	-	23.697	-	-	(106.825)	-	-	-	-	-	(61.839)	-	(61.839)
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	(61.839)	-	-	-	-	-	(61.839)	-	(61.839)
18.2	Transfers to reserves		-	-	-	-	21.289	-	23.697	-	-	(44.986)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance		2.050.000	777	-	-	213.923	75.641	106.400	2.920	476.445	-	(32.469)	34.702	-	-	-	2.928.339	-	2.928.339

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1.651.868	1.171.483
1.1.1 Interest received		1.039.218	909.919
1.1.2 Interest paid		(514.523)	(468.034)
1.1.3 Dividends received		9.478	8.376
1.1.4 Fees and commissions received		11.968	13.813
1.1.5 Other income	(1)	21.286	123.966
1.1.6 Collections from previously written off loans		12.658	894
1.1.7 Payments to personnel and service suppliers		(74.135)	(66.418)
1.1.8 Taxes paid		(135.445)	(67.186)
1.1.9 Others	(1)	1.281.363	716.153
1.2 Changes in operating assets and liabilities		(3.325.556)	(422.443)
1.2.1 Net (increase) decrease in financial assets		23.487	(28.145)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(2.049.994)	(1.258.836)
1.2.5 Net (increase) decrease in other assets	(1)	71.697	(492.869)
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		(118.993)	1.331.786
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	(1.251.753)	25.621
I. Net cash provided by/(used in) banking operations		(1.673.688)	749.040
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		(353.216)	(247.819)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(1.000)	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3 Fixed asset purchases	(2)	(2.234)	(19.687)
2.4 Fixed asset sales	(3)	203	11.477
2.5 Cash paid for purchase of financial assets available for sale		(1.002.141)	(1.098.669)
2.6 Cash obtained from sale of financial assets available for sale		652.646	859.363
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(2)	(690)	(303)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		816.470	846.930
3.1 Cash obtained from funds borrowed and securities issued		878.309	927.192
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(61.839)	(80.262)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	40.069	43.025
V. Net increase / (decrease) in cash and cash equivalents		(1.170.365)	1.391.176
VI. Cash and cash equivalents at beginning of the period	(4)	1.652.278	261.102
VII. Cash and cash equivalents at end of the period	(4)	481.913	1.652.278

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

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

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

	Audited Current Period 31 December 2016 (*)	Audited Prior Period 31 December 2015
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	593.252	508.455
1.2 TAXES AND DUTIES PAYABLE	(116.807)	(101.610)
1.2.1 Corporate Tax (Income tax)	(98.641)	(76.641)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(18.166)	(24.969)
A. NET INCOME FOR THE YEAR (1.1-1.2)	476.445	406.845
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	20.342
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	476.445	386.503
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	115.949
1.6.1 To owners of ordinary shares	-	115.949
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	8.116
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.353
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	236.551
1.9.1 To owners of ordinary shares	-	236.551
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	947
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	23.567
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	20
II. DISTRIBUTION OF RESERVES	-	-
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (**)		
3.1 TO OWNERS OF ORDINARY SHARES	0,23	0,23
3.2 TO OWNERS OF ORDINARY SHARES (%)	23,24	23,25
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	0,20
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,14
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

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

(**) A nominal value of 1 Kuruş figures a share in unconsolidated income statement and unconsolidated statement of profit distribution and an earnings per share is calculated for a nominal value of 1 Kuruş.

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

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

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

I.a Presentation of financial statements:

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

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

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

Additional paragraph for convenience translation to English

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

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

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

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

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 YEAR ENDED 31 DECEMBER 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 derivative instruments including both economic hedges and derivatives specified as hedging items are classified as either “trading purposes” or “hedging purposes” as per the Turkish Accounting Standards (“TAS 39”) “Financial Instruments: Recognition and Measurement”.

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

IV. Explanations on interest income and expenses

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

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

V. Explanations on fees and commission income and expenses

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

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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)

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.

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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.

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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.

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on offsetting of financial assets and liabilities

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

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

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

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

X. Explanations on assets held for sale and discontinued operations

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XI. Explanations on goodwill and other intangible assets

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

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

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

XII. Explanations on tangible assets

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on tangible assets (continued)

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
Buildings	50	2
Other Tangible Assets	1-50	2-100

XIII. Explanations on leasing transactions

The Bank as Lessor

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

The Bank as Lessee

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

XIV. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on liabilities regarding employee benefits

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

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on liabilities regarding employee benefits (continued)

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

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

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2016 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 13 January 2017, as of 31 December 2016, there is no technical or actual shortage requiring provision.

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

XVI. Explanations on taxation

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

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

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

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on taxation (continued)

Transfer pricing

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

XVII. Additional explanations on borrowings

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

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

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

XVIII. Explanations on share certificates issued

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

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

XIX. Explanations on acceptances

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

XX. Explanations on government incentives

The Bank does not use government incentives.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXI. Explanations on segment reporting

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

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

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	353.148	424.040	-	777.188
Net Fees and Commission Income	10.602	(5.617)	(50)	4.935
Other Income	12.656	-	32.524	45.180
Other Expense	(81.091)	(67.661)	(85.299)	(234.051)
Profit Before Tax	295.315	350.762	(52.825)	593.252
Tax Provision	-	-	-	(116.807)
Net Profit				476.445
Current Period				
Segment Assets	17.322.385	5.922.086	404.831	23.649.302
Investment in Associates and Subsidiaries	-	-	352.271	352.271
Total Assets	17.322.385	5.922.086	757.102	24.001.573
Segment Liabilities	20.066.209	544.386	462.639	21.073.234
Shareholders' Equity	-	-	2.928.339	2.928.339
Total Liabilities	20.066.209	544.386	3.390.978	24.001.573

Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	314.498	310.573	-	625.071
Net Fees and Commission Income	11.523	(23)	(82)	11.418
Other Income	843	2.353	74.589	77.785
Other Expense	(89.829)	(19.706)	(96.284)	(205.819)
Profit Before Tax	237.034	293.197	(21.776)	508.455
Tax Provision	-	-	-	(101.610)
Net Profit				406.845
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

XXII. Explanations on other matters

None.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to 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 31 December 2016, the capital adequacy ratio of Bank has been calculated as 14,33%.

	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	120.231	
Profit	476.445	
Current Period Profit	476.445	
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	3.045.934	
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	117.998	-
Leasehold improvements on operational leases	5.255	-
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	569	-
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	403	-
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to 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	124.225	
Core Equity Tier I Capital	2.921.709	
Additional Tier I Capital		
Preferred Stock not Included in Core Equity and the Related Share Premiums		
Debt instruments and the related issuance premiums defined by the BRSA	-	
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional tier i capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
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 (-)	380	-
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)	2.921.329	
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)	178.463	
Tier II Capital Before Deductions	178.463	
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.	-	-
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 (-)	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Total Deductions from Tier II Capital	-	
Total Tier II Capital	178.463	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.099.792	
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	369	
Other items to be defined by the BRSA	-	
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		
Total Capital	3,099.423	-
Total Risk Weighted Assets	21.631.077	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	13,51	-
Tier I Capital Adequacy Ratio (%)	13,51	-
Capital Adequacy Ratio (%)	14,33	-
BUFFERS		
Total buffer requirement (%)	5,13	-
Capital conservation buffer requirement (%)	0,63	-
Bank specific counter-cyclical buffer requirement (%)	0,002	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	6,33	-
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	230.570	-
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	178.463	-
Up to 25% of total risk-weighted amount of general reserves for receivables where the standard approach used	178.463	-
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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to 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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to 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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to 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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to unconsolidated credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically.

Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in line with Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" ("Communiqué on Reserves"). Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

The limits are also identified for the transactions made with the banks. The credit risk is managed by considering the creditworthiness and the limits of counter parties.

In accordance with Communiqué on Reserves;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, "Specific Provision" is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, "General Provision" is calculated for these loans.

Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types

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

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the Bank's management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole. If exposed to a significant degree of credit risk, the Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts. The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans.

Rescheduled loans are monitored within the Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications. The Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern. The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks. The Bank being an active participant in international banking market is not exposed to a significant degree of credit risk when evaluated with the financial operations of other financial institutions.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to unconsolidated credit risk (continued)

The first 100 and 200 largest cash loans constitute 80,63% and 96,98% of the total cash loans portfolio of the Bank respectively (31 December 2015: 82,39% and 97,64%)

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Bank respectively (31 December 2015: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 78,84% and 96,37% of the total on and off balance sheet accounts of the Bank respectively (31 December 2015: 80,64% and 96,88%)

The Bank calculated the general loan loss provision of TL 178.463 (31 December 2015: TL 150.329)

Profile of Significant Exposures in Major Regions

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

Risk profile by sectors or counterparties

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

Analysis of maturity-bearing exposures according to remaining maturities

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

Information on risk types

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

Exposures by risk weights

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

Information of major sectors or type of counterparties

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

Information related with value adjustments and loan loss provisions

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to unconsolidated credit risk (continued)

Cash credit quality per class of financial assets as of 31 December 2016 is as follows;

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	17.298.312	20.281	17.318.593
Corporate Loans	14.259.869	20.281	14.280.150
Loans to SME	3.038.226	-	3.038.226
Consumer Loans	217	-	217
Other	-	-	-
Receivables from Leasing Transactions	3.792	-	3.792
Total	17.302.104	20.281	17.322.385

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

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	13.660.338	15.141	13.675.479
Corporate Loans	11.491.571	3.848	11.495.419
Loans to SME	2.168.539	11.293	2.179.832
Consumer Loans	228	-	228
Other	-	-	-
Receivables from Leasing Transactions	-	-	-
Total	13.660.338	15.141	13.675.479

Credit risk is evaluated according to the Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings. The loans rated according to the possibility of being in default are classified from the highest grade (top grade) to the lowest (below average) as below; at the bottom of the table there are credits in default (impaired) according to rating model.

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	591.176	688.490
High Grade	1.878.714	3.338.731
Average Grade	15.520.292	11.044.853
Below Average Grade	538.242	179.020
Impaired	49.608	60.572
Total	18.578.032	15.311.666

Category "top" shows that the debtor has a very strong financial structure, "high" shows that the debtor has a strong financial structure, "average" shows the debtor's financial structure is good enough while "below average" category shows that debtor's financial structure is under risk in the short and medium term.

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 19.040.034 and TL 462.002 of these customers have not been rated (31 December 2015: TL 15.517.550, TL 205.884).

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SECTION FOUR (Continued)

INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to unconsolidated credit risk (continued)

Carrying amount per class of financial assets whose terms have been renegotiated

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Loans	194.994	274.324
Corporate Loans	65.324	128.998
Loans to SME	129.670	145.326
Consumer Loans	-	-
Other	-	-
Total	194.994	274.324

Exposures Subject to Countercyclical Capital Buffer

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

Information about receivables from private sector:

Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	6.376	-	6.376
Georgia	70.007	-	70.007
England	4.553	-	4.553
Turkey	17.459.771	240.927	17.700.698
Total	17.540.707	240.927	17.781.634

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to unconsolidated currency risk

No long or 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"		
31 December 2016	3,4900	3,6757
<u>Prior Five Workdays:</u>		
30 December 2016	3,4900	3,6757
29 December 2016	3,5100	3,6701
28 December 2016	3,5010	3,6684
27 December 2016	3,4900	3,6432
26 December 2016	3,4800	3,6404

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to unconsolidated 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	247.052	252.175	117.544	616.771
Banks	8.785	38.044	1.264	48.093
Financial Assets at Fair Value Through Profit and Loss (*)	33.190	26.615	3.051	62.856
Money Market Placements	191.138	-	-	191.138
Available-For-Sale Financial Assets	42.571	977.533	-	1.020.104
Loans (**)	6.547.990	9.490.700	-	16.038.690
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	186.739	-	186.739
Derivative Financial Assets for Hedging Purposes	-	272	-	272
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	19.018	261.219	-	280.237
Total Assets	7.089.744	11.233.297	121.859	18.444.900
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	31.532	29.466	-	60.998
Funds Provided From Other Financial Institutions	7.089.572	8.651.312	-	15.740.884
Marketable Securities Issued	-	3.486.732	-	3.486.732
Miscellaneous Payables (****)	2.688	70.658	79	73.425
Derivative Financial Liabilities for Hedging Purposes	-	51.433	-	51.433
Other Liabilities (*****)	29.885	17.432	2.424	49.741
Total Liabilities	7.153.677	12.307.033	2.503	19.463.213
Net Balance Sheet Position	(63.933)	(1.073.736)	119.356	(1.018.313)
Net Off-Balance Sheet Position	73.730	1.052.712	(118.621)	1.007.821
Financial Derivative Assets	1.633.724	3.491.955	134.472	5.260.151
Financial Derivative Liabilities	(1.559.994)	(2.439.243)	(253.093)	(4.252.330)
Non-Cash Loans (*****)	714.093	730.990	13.677	1.458.760
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 186.770 is deducted from "Financial Assets at Fair Value through Profit and Loss".

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

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

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

(*****) Marketable securities valuation increase fund amounting to TL (26.774) and exchange rate differences arising from derivative transactions amounting to TL 164.068 have not been included in "Other Liabilities". Borrower funds amounting TL 3.806 based on foreign currencies have been included in "Other Liabilities".

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to unconsolidated currency risk (continued)

The Bank is mostly exposed to Euro, US Dollars and other foreign currencies.

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	1.083	173	(3.185)	779
Euro	10	643	511	337	205
Other	10	74	220	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(1.083)	(173)	3.185	(779)
Euro	10	(643)	(511)	(337)	(205)
Other	10	(74)	(220)	-	-

(*) Values expressed are before the tax effect.

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

IV. Explanations related to unconsolidated interest rate risk

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	413.451	-	-	-	-	364.623	778.074
Banks	49.928	-	-	-	-	13.525	63.453
Financial Assets at Fair Value Through Profit and Loss	56.104	92.777	129.483	67.326	34.413	-	380.103
Money Market Placements	191.138	62.895	-	-	-	-	254.033
Available-for-Sale Financial Assets	333.011	288.125	844.154	890.502	665.957	48.673	3.070.422
Loans	1.975.475	5.644.313	6.538.267	2.632.395	528.143	-	17.318.593
Held-to-Maturity Investments	180.460	645.935	362.595	-	186.739	-	1.375.729
Other Assets	-	272	1.295	1.949	548	757.102	761.166
Total Assets	3.199.567	6.734.317	7.875.794	3.592.172	1.415.800	1.183.923	24.001.573
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	905.424	74	-	-	-	-	905.498
Miscellaneous Payables	-	-	-	-	-	173.938	173.938
Marketable Securities Issued	-	-	-	3.486.732	-	-	3.486.732
Funds Provided from Other Financial Institutions	3.548.270	5.561.174	3.114.314	1.573.342	2.043.867	-	15.840.967
Other Liabilities (**)	34.989	98.963	174.741	64.075	4.630	3.217.040	3.594.438
Total Liabilities	4.488.683	5.660.211	3.289.055	5.124.149	2.048.497	3.390.978	24.001.573
Balance Sheet Long Position	-	1.074.106	4.586.739	-	-	-	5.660.845
Balance Sheet Short Position	(1.289.116)	-	-	(1.531.977)	(632.697)	(2.207.055)	(5.660.845)
Off-Balance Sheet Long Position	-	14.246	-	18.604	228.421	-	261.271
Off-Balance Sheet Short Position	(62.550)	-	(140.032)	-	-	-	(202.582)
Total Position	(1.351.666)	1.088.352	4.446.707	(1.513.373)	(404.276)	(2.207.055)	58.689

(*) Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in "non-interest bearing" column, in order to reconcile the total assets and liabilities on the balance sheet.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

Prior Period	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 30.677 are presented in "Other Liabilities" within 1-month maturity column.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to unconsolidated 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	-	1,85	-	11,00
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,78
Money Market Placements	0,03	-	-	11,00
Available-for-Sale Financial Assets	5,59	4,77	-	9,95
Loans	3,56	5,47	-	12,10
Held-to-Maturity Investments	-	5,59	-	10,35
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,27	0,52	-	7,86
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,25	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,85	2,08	-	8,12

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to unconsolidated 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	224.536	-	224.536
Quoted	224.536	-	224.536
Investment in Shares-Grade B	69.496	-	69.496
Quoted	69.496	-	69.496

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to unconsolidated 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	-	-	-	(7.234)	(7.234)	-
Other Share Certificates	114	7.610	7.610	-	-	-
Total	114	7.610	7.610	(7.234)	(7.234)	-

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)	-

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

I. Explanations related to the unconsolidated liquidity risk

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

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

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

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

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

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

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. 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 weeks and three months' cashflows on weekly basis. On monthly basis, cashflow projections on local currency and foreign currency are reported to Asset Liability Committee.

1.b Information on the centralization degree of 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.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. 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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. 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			1.022.831	550.669
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	417.200	280.910	332.390	201.681
6 Operational deposits	15.749	13.080	3.891	3.225
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	401.451	267.830	328.499	198.456
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.181.635	973.362	1.185.899	973.591
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.181.635	973.362	1.185.899	973.591
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	1.942.084	1.385.717	97.041	69.227
15 Other irrevocable or conditionally revocable commitments	4.339.382	4.005.943	522.783	481.727
16 TOTAL CASH OUTFLOWS			2.138.113	1.726.226
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.406.332	565.606	2.176.468	446.351
19 Other contractual cash inflows	1.228.903	533.092	1.232.984	536.125
20 TOTAL CASH INFLOWS	3.635.235	1.098.698	3.409.452	982.476
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			1.022.831	550.669
22 TOTAL NET CASH OUTFLOWS			534.528	743.750
23 LIQUIDITY COVERAGE RATIO (%)			188	88

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. 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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 70% while 87% of it is provided under the guarantee of The Undersecretariat of Treasury of Turkish Republic. The average tenor of long term loans is 11 years. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 25%. 4% of the Bank's total funding is attained through repo transactions.

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

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

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

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

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

None.

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

None.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. 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	364.623	413.451	-	-	-	-	-	778.074
Banks	13.525	49.928	-	-	-	-	-	63.453
Financial Assets at Fair Value Through Profit and Loss	-	24.414	44.601	102.594	115.038	93.456	-	380.103
Money Market Placements	-	191.138	62.895	-	-	-	-	254.033
Financial Assets Available-for-Sale	-	303.484	216.389	253.631	1.236.474	1.011.771	48.673	3.070.422
Loans	-	409.138	1.064.020	3.256.847	8.326.689	4.261.899	-	17.318.593
Held-to-Maturity Investments	-	-	-	-	209.151	1.166.578	-	1.375.729
Other Assets	-	-	-	1.295	1.949	820	757.102	761.166
Total Assets	378.148	1.391.553	1.387.905	3.614.367	9.889.301	6.534.524	805.775	24.001.573
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	178.582	264.686	2.098.774	6.485.938	6.812.987	-	15.840.967
Money Market Borrowings	-	905.424	74	-	-	-	-	905.498
Securities Issued	-	-	-	-	3.486.732	-	-	3.486.732
Miscellaneous Payables	-	-	-	-	-	-	173.938	173.938
Other Liabilities (**)	-	21.243	44.253	101.857	152.398	57.647	3.217.040	3.594.438
Total Liabilities	-	1.105.249	309.013	2.200.631	10.125.068	6.870.634	3.390.978	24.001.573
Liquidity Gap	378.148	286.304	1.078.892	1.413.736	(235.767)	(336.110)	(2.585.203)	-
Net Off-balance sheet Position	-	7.406	399	782	38.040	12.062	-	58.689
Financial Derivative Assets	-	1.765.110	1.573.087	2.916.888	6.827.177	4.106.192	-	17.188.454
Financial Derivative Liabilities	-	1.757.704	1.572.688	2.916.106	6.789.137	4.094.130	-	17.129.765
Non-cash Loans (***)	-	21.227	5.182	33.578	551.991	508.482	548.750	1.669.210
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 5.317 are presented in "Other Liabilities" within 1-month maturity column.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	192.528	292.585	2.264.582	7.141.612	7.369.968	(1.420.308)	15.840.967
Money Market Borrowings	905.543	75	-	-	-	(120)	905.498
Marketable Securities Issued	-	-	179.300	1.580.100	2.376.364	(649.032)	3.486.732
Funds	5.317	-	-	-	-	-	5.317
Total	1.103.388	292.660	2.443.882	8.721.712	9.746.332	(2.069.460)	20.238.514

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	565.451	184.987	1.874.314	5.614.214	6.205.279	(999.459)	13.444.786
Money Market Borrowings	2.170.657	1.070	-	-	-	(2.246)	2.169.481
Marketable Securities Issued	-	-	106.393	2.371.638	-	(440.460)	2.037.571
Funds	30.677	-	-	-	-	-	30.677
Total	2.766.785	186.057	1.980.707	7.985.852	6.205.279	(1.442.165)	17.682.515

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	2.664.939	958.755	893.670	13.477.201	8.225.891	(82.833)	26.137.623
Forward Contracts	212.286	534.798	322.387	61.644	-	-	1.131.115
Futures Transactions	-	-	-	-	-	-	-
Options	527.407	1.653.321	4.629.408	121.800	-	-	6.931.936
Other	117.544	-	-	-	-	-	117.544
Total	3.522.176	3.146.874	5.845.465	13.660.645	8.225.891	(82.833)	34.318.218

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	2.860.925	143.955	1.038.302	6.508.089	6.509.727	(22.553)	17.038.445
Forward Contracts	88.494	12.924	37.447	268.223	-	-	407.088
Futures Transactions	-	-	-	-	-	-	-
Options	91.402	789.940	1.383.780	211.276	-	-	2.476.398
Other	-	-	89.210	-	-	-	89.210
Total	3.040.821	946.819	2.548.739	6.987.588	6.509.727	(22.553)	20.011.141

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to leverage ratio

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

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

As of 31 December 2016, leverage ratio of the Bank calculated from the arithmetic average of the three months is 10,61% (31 December 2015: 10.55%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 19,31% compared to prior period.

b) Unconsolidated Leverage Ratio

		Current Period(*)	Prior Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	23.709.190	19.872.393
2	(Assets deducted from Core capital)	(100.807)	(126.801)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	23.608.383	19.745.592
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	216.502	199.076
5	Potential credit risk amount of derivative financial assets and credit derivatives	203.512	132.198
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	420.014	331.274
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	352.423	384.893
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)	352.423	384.893
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	6.132.156	6.053.628
11	(Correction amount due to multiplication with credit conversion rates)	(3.174.771)	(3.342.558)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	2.957.385	2.711.070
	Capital and total risk		
13	Core Capital	2.899.693	2.445.084
14	Total risk amount (sum of lines 3, 6, 9 and 12)	27.338.205	23.172.829
	Leverage ratio		
15	Leverage ratio	10,61%	10,55%

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations related to presentation of financial assets and liabilities at fair value.

The table below shows the carrying and fair values of the financial assets and liabilities in the financial statements of the Bank.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	22.086.022	19.134.153	22.972.274	19.260.404
Money Market Placements	254.033	1.080.274	254.033	1.080.274
Banks	63.453	534.829	63.453	534.829
Available-For-Sale Financial Assets	3.070.422	2.970.969	3.070.422	2.970.969
Held-To-Maturity Investments	1.375.729	872.602	1.363.859	885.882
Loans (*)	17.322.385	13.675.479	18.220.507	13.788.450
Financial Liabilities	20.412.452	17.799.761	20.339.749	17.811.306
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	16.751.782	15.644.945	16.751.782	15.644.945
Marketable Securities Issued	3.486.732	2.037.571	3.414.029	2.049.116
Miscellaneous Payables	173.938	117.245	173.938	117.245

(*) Loans include financial lease receivables.

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

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

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (Level 3).

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Current Period	Level I	Level II	Level III (*)
Financial Assets			
Financial Assets Held for Trading	4.658	375.445	-
Financial Assets Available For Sale	1.924.583	1.142.431	3.191
Associates and Subsidiaries	267.350	-	82.366
Derivative Financial Assets For Hedging Purposes		272	
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	320.648	-
Derivative Financial Liabilities For Hedging Purposes	-	51.433	-

Prior Period	Level I	Level II	Level III
Financial Assets			
Financial Assets held for Trading	28.233	168.982	-
Financial Assets Available For Sale	1.903.147	1.063.795	3.809
Associates and Subsidiaries	194.786	-	82.366
Derivative Financial Assets For Hedging Purposes		4.093	
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	173.431	-
Derivative Financial Liabilities For Hedging Purposes	-	5.799	-

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

Real estates which are presented in the financial statements at fair value are classified at level 2.

IX. Explanations related to transactions made on behalf of others and fiduciary transactions

The Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Bank does not deal with fiduciary transactions.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to Risk Management

Linkages between financial statements and risk amounts

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

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

Disclosures on the Risk management approach and risk-weighted amount

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

Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts

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

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period (*)	Current Period
1	Credit risk (excluding counterparty credit risk)	19.232.205	16.017.353	1.538.576
2	Standardised approach	19.232.205	16.017.353	1.538.576
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	693.359	348.228	55.469
5	Standardised approach for counterparty credit risk	693.359	348.228	55.469
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	634.525	370.250	50.762
17	Standardised approach	634.525	370.250	50.762
18	Internal model approaches	-	-	-
19	Operational risk	1.070.988	949.550	85.679
20	Basic indicator approach	1.070.988	949.550	85.679
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	21.631.077	17.685.881	1.730.486

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (Continued)

Differences and matching between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Assets	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	778.074	778.074	-	-	-	-
Financial Assets Held for Trading	-	-	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	380.103	-	375.442	-	380.103	-
Banks	63.453	63.453	-	-	-	-
Money Market Placements	254.033	254.033	-	-	-	-
Financial Assets Available-for-Sale (net)	3.070.422	3.070.422	895.472	-	-	-
Loans and Receivables	17.318.593	17.318.593	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Investment Held-to-Maturity (net)	1.375.729	1.375.729	129.784	-	-	-
Investment in Associates (net)	222.908	222.908	-	-	-	-
Investment in Subsidiaries (net)	129.363	129.363	-	-	-	-
Joint-Ventures (net)	-	-	-	-	-	-
Finance Lease Receivables	3.792	3.792	-	-	-	-
Derivative Financial Assets Held for Risk	272	-	272	-	-	-
Tangible Assets (net)	51.112	45.857	-	-	-	5.255
Intangible Assets (net)	949	-	-	-	-	949
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	14.195	14.195	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Other Assets	338.575	316.130	-	-	-	22.445
Total Assets	24.001.573	23.592.549	1.400.970	-	380.103	28.649

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and matching between asset and liabilities' carrying values in financial statements and amounts in capital adequacy calculation

Liabilities	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	320.648	-	-	-	320.648	-
Funds Borrowed	15.840.967	-	532.231	-	-	15.308.736
Money Market Funds	905.498	-	295.354	-	5.916	604.228
Securities Issued	3.486.732	-	-	-	-	3.486.732
Funds	5.317	-	-	-	-	5.317
Miscellaneous Payables	173.938	-	-	-	-	173.938
Other Liabilities	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	51.433	-	-	-	-	51.433
Provisions	278.392	-	-	-	-	278.392
Tax Liability	10.309	-	-	-	-	10.309
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Debts	-	-	-	-	-	-
Shareholders' Equity	2.928.339	-	-	-	-	2.928.339
Total Liabilities	24.001.573	-	827.585	-	326.564	22.847.424

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

		Total	Credit Risk (*)	Securitization Positions	Counterparty credit risk (*)	Market risk (**)
1	Asset carrying value amount under scope of regulatory consolidation	24.001.573	23.592.549	-	1.400.970	380.103
2	Liabilities carrying value amount under regulatory scope of consolidation	24.001.573	-	-	827.585	326.564
3	Total net amount under regulatory scope of consolidation	-	23.592.549	-	573.385	53.539
4	Off-balance sheet amounts	43.794.254	2.008.586	-	230.653	26.570.418
5	Differences due to prudential filters	-	-	-	(37.621)	-
6	Risk Amounts	-	25.601.135	-	766.417	26.623.957

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

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

Disclosures on credit risk

General qualitative information on credit risk.

Credit risk is the possibility of incurring losses due to the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations. While the largest and most visible source of credit risk consists of the loans extended by the bank, other assets included in balance sheets, non-cash loans and commitments are also taken into consideration within the scope of credit risk.

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

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

Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
		Defaulted(a)	Non-defaulted (b)		
1	Loans	48.439	19.195.071	48.439	19.195.071
2	Debt Securities	-	4.472.356	74.878	4.397.478
3	Off-balance sheet exposures	1.166	9.475.453	583	9.476.036
4	Total	49.605	33.142.880	123.900	33.068.585

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk

Changes in stock of default loans and debt securities

	Balance
1 Defaulted loans and debt securities at end of the previous reporting period	59.988
2 Loans and debt securities that have defaulted since the last reporting period	1.692
3 Receivables back to non-defaulted status	12.658
4 Amounts written off	-
5 Other changes	-
6 Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	59.022

Additional disclosure related to the credit quality of assets

In accordance with Communiqué on Reserves;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, “Specific Provision” is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, “General Provision” is calculated for these loans.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

	Risk Types (*)																			
Current Period	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprises	Contingent and non-contingent claims on multilateral development banks	Contingent and non-contingent claims on international organizations	Contingent and non-contingent claims on banks and capital market intermediary	Contingent and non-contingent claims on corporates	Contingent and non-contingent claims included in the regulatory real estate portfolios	Contingent and non-contingent claims secured by residential property	Past due loans	Higher-risk categories defined by agency	Securities secured by mortgage	Securitization exposures	Short-term claims on banks and corporate	Undertakings for collective investments in transferable securities	Other claims	TL	FC	Total	
Agriculture	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	359	10.809	2.037	12.846	
Farming and Stockbreeding	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	-	10.450	2.037	12.487	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359	359	-	359	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	-	12.324.849	-	495.824	-	-	-	-	-	7	-	1.020.073	11.800.607	12.820.680	
Mining and Quarrying	-	-	-	-	-	-	86.022	-	-	-	-	-	-	-	-	-	-	86.022	86.022	
Production	-	-	-	-	-	-	3.548.502	-	474.374	-	-	-	-	-	7	-	593.201	3.429.682	4.022.883	
Electricity, Gas and Water	-	-	-	-	-	-	8.690.325	-	21.450	-	-	-	-	-	-	-	426.872	8.284.903	8.711.775	
Construction	-	-	-	-	-	-	178.218	-	7.390	-	-	-	-	-	-	-	9.375	176.233	185.608	
Services	969.182	-	-	-	-	1.470.378	4.589.850	-	612.335	-	-	-	-	-	395.174	57.341	1.337.450	6.756.810	8.094.260	
Wholesale and Retail Trade	-	-	-	-	-	-	229.913	-	6.843	-	-	-	-	-	-	-	849	235.907	236.756	
Accommodation and Dining	-	-	-	-	-	-	467.364	-	189.879	-	-	-	-	-	-	-	-	657.243	657.243	
Transportation and Telecommunication	-	-	-	-	-	-	740.738	-	111.524	-	-	-	-	-	1.555	-	1.555	852.262	853.817	
Financial Institutions	969.182	-	-	-	-	1.470.378	1.625.171	-	-	-	-	-	-	-	392.240	57.341	1.132.259	3.382.053	4.514.312	
Real Estate and Rental Services	-	-	-	-	-	-	316.391	-	262.595	-	-	-	-	-	-	-	2.493	576.493	578.986	
Professional Services	-	-	-	-	-	-	593.783	-	-	-	-	-	-	-	1.379	-	195.907	399.255	595.162	
Educational Services	-	-	-	-	-	-	123.427	-	14.927	-	-	-	-	-	-	-	4.387	133.967	138.354	
Health and Social Services	-	-	-	-	-	-	493.063	-	26.567	-	-	-	-	-	-	-	-	519.630	519.630	
Others	4.220.789	-	1.749	-	-	-	125.132	-	13.201	-	-	-	-	-	5.764	121.107	3.117.844	1.369.898	4.487.742	
Total	5.189.971	-	1.749	-	-	1.470.378	17.229.784	-	1.129.502	-	-	-	-	-	400.945	178.807	5.495.551	20.105.585	25.601.136	

(*)Risk types contained in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been taken. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

Prior Period (**)	Risk Types (*)															Other claims	TL	FC
	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprises	Contingent and non-contingent claims on multilateral development banks	Contingent and non-contingent claims on international organizations	Contingent and non-contingent claims on banks and capital market intermediary	Contingent and non-contingent claims on corporates	Contingent and non-contingent claims included in the regulatory real estate portfolios	Contingent and non-contingent claims secured by residential property	Past due loans	Higher-risk categories defined by agency	Securities secured by mortgage	Securitization exposures	Short-term claims on banks and corporate	Undertakings for collective investments in transferable securities			
Agriculture	-	-	-	-	-	-	1.503	-	-	-	-	-	-	-	379	1.882	-	1.882
Farming and Stockbreeding	-	-	-	-	-	-	1.503	-	-	-	-	-	-	-	-	1.503	-	1.503
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	379	379	-	379
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	10.078.630	-	73.658	-	-	-	-	-	5.692	952.397	9.205.583	10.157.980
Mining and Quarrying	-	-	-	-	-	-	113.825	-	-	-	-	-	-	-	-	-	113.825	113.825
Production	-	-	-	-	-	-	2.990.125	-	47.858	-	-	-	-	-	5.692	383.402	2.660.273	3.043.675
Electricity, Gas and Water	-	-	-	-	-	-	6.974.680	-	25.800	-	-	-	-	-	-	568.995	6.431.485	7.000.480
Construction	-	-	-	-	-	-	224.013	-	-	-	-	-	-	-	-	31.091	192.922	224.013
Services	820.639	-	1.088	-	-	3.052.597	3.963.159	-	814.464	-	-	-	-	-	337.246	2.253.848	6.735.345	8.989.193
Wholesale and Retail Trade	-	-	-	-	-	-	309.084	-	9.915	-	-	-	-	-	-	3.834	315.165	318.999
Accommodation and Dining	-	-	-	-	-	-	399.856	-	198.718	-	-	-	-	-	-	2.017	596.557	598.574
Transportation and Telecommunication	-	-	-	-	-	-	882.872	-	-	-	-	-	-	-	1.555	1.555	882.872	884.427
Financial Institutions	820.639	-	1.088	-	-	3.052.597	1.371.874	-	109.411	-	-	-	-	-	335.312	2.200.035	3.490.886	5.690.921
Real Estate and Rental Services	-	-	-	-	-	-	61.059	-	490.661	-	-	-	-	-	-	473	551.247	551.720
Professional Services	-	-	-	-	-	-	615.246	-	-	-	-	-	-	-	379	36.736	578.889	615.625
Educational Services	-	-	-	-	-	-	156.633	-	5.759	-	-	-	-	-	-	6.142	156.250	162.392
Health and Social Services	-	-	-	-	-	-	166.535	-	-	-	-	-	-	-	-	3.056	163.479	166.535
Others	3.550.707	-	318	-	-	-	106.809	-	14.278	-	170	-	-	-	148.234	2.628.440	1.192.076	3.820.516
Total	4.371.346	-	1.406	-	-	3.052.597	14.374.114	-	902.400	-	170	-	-	-	491.551	5.867.658	17.325.926	23.193.584

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

(**)The counterparty credit risk is included.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Profile of significant exposures in major region

Current Period	Risk Types (*)																Total
	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprises	Contingent and non-contingent claims on multilateral development banks	Contingent and non-contingent claims on international organizations	Contingent and non-contingent claims on banks and capital market intermediary	Contingent and non-contingent claims on corporates	Contingent and non-contingent claims included in the regulatory real estate portfolios	Contingent and non-contingent claims secured by residential property	Past due loans	Higher-risk categories defined by agency	Securities secured by mortgage	Securitization exposures	Short-term claims on banks and corporate	Undertakings for collective investments in transferable securities	Other claims	
Domestic	5.189.971	-	1.749	-	-	1.008.419	16.940.327	-	1.129.502	-	-	-	-	-	12.447	57.700	24.340.115
European Union (EU) Countries	-	-	-	-	-	256.090	-	-	-	-	-	-	-	-	12.818	-	268.908
OECD Countries (**)	-	-	-	-	-	2.229	-	-	-	-	-	-	-	-	-	-	2.229
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	33.839	-	-	-	-	-	-	-	-	-	-	33.839
Other Countries	-	-	-	-	-	152.201	70.007	-	-	-	-	-	-	-	-	-	222.208
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	214.238	-	-	-	-	-	-	-	369.916	-	584.154
Unallocated Assets/Liabilities (***)	-	-	-	-	-	17.600	5.212	-	-	-	-	-	-	-	5.764	121.107	149.683
Total	5.189.971	-	1.749	-	-	1.470.378	17.229.784	-	1.129.502	-	-	-	-	-	400.945	178.807	25.601.136

(*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table

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

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Profile of significant exposures in major regions

	Risk Types (*)																	
Prior Period(****)	Contingent and non-contingent claims on sovereigns	Contingent and non-contingent claims on regional governments and local authorities	Contingent and non-contingent claims on administrative units and non-commercial enterprises	Contingent and non-contingent claims on multilateral development banks	Contingent and non-contingent claims on international organizations	Contingent and non-contingent claims on banks and capital market intermediary	Contingent and non-contingent claims on corporates	Contingent and non-contingent claims included in the regulatory real estate portfolios	Contingent and non-contingent claims secured by residential property	Past due loans	Higher-risk categories defined by agency	Securities secured by mortgage	Securitization exposures	Short-term claims on banks and corporate	Undertakings for collective investments in transferable securities	Other claims	Total	
Domestic	4.371.346	-	1.088	-	-	2.408.933	14.126.409	-	792.989	-	170	-	-	-	-	44.306	21.745.241	
European Union (EU) Countries	-	-	-	-	-	389.437	-	-	-	-	-	-	-	-	-	10.121	399.558	
OECD Countries (**)	-	-	-	-	-	4.116	-	-	-	-	-	-	-	-	-	-	4.116	
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
USA, Canada	-	-	-	-	-	86.129	-	-	-	-	-	-	-	-	-	-	86.129	
Other Countries	-	-	-	-	-	163.982	64.094	-	-	-	-	-	-	-	-	-	228.076	
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	179.382	-	109.411	-	-	-	-	-	-	293.058	581.851	
Unallocated Assets/ Liabilities (***)	-	-	318	-	-	-	4.229	-	-	-	-	-	-	-	-	144.066	148.613	
Total	4.371.346	-	1.406	-	-	3.052.597	14.374.114	-	902.400	-	170	-	-	-	-	491.551	23.193.584	

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
Current Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	612.776	1.165	377.492	148.307	3.286.448
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	60	-	-	-	1.674
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	178.260	133.540	188.064	54.380	662.116
Contingent and Non-Contingent Claims on Corporates	93.951	545.345	528.065	1.202.850	14.730.991
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	1.939	395	21.327	11.868	1.084.680
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
Other Claims	1.009	-	-	-	16.866
Total	887.995	680.445	1.114.948	1.417.405	19.782.775

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to Risk Management (Continued)

Explanations related to credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
Prior Period (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	802.706	49.995	-	274.334	3.177.749
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	1.086	-	-	-	296
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1.912.409	45.773	179.201	63.333	651.939
Contingent and Non-Contingent Claims on Corporates	364.812	421.254	441.073	1.226.863	11.774.514
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	-	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	109.411	494	-	58.274	734.221
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	170
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-
Other Claims	5.376	5.068	-	10.017	69.988
Total	3.195.800	522.584	620.274	1.632.821	16.408.877

(*)The counterparty credit risk is included.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Information of major sectors or type of counterparties

Current Period	Loans		Value	
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.446	-	-	(3.446)
Farming and Stockbreeding	3.446	-	-	(3.446)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	35.902	20.281	349	(35.902)
Mining and Quarrying	193	-	-	(193)
Production	1.972	20.281	349	(1.972)
Electricity, Gas and Water	33.737	-	-	(33.737)
Construction	9.091	-	-	(9.091)
Services	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	-	-	-	-
Total	48.439	20.281	349	(48.439)

Prior Period	Loans		Value	
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Adjustments	Provisions
Agriculture	3.446	-	-	(3.446)
Farming and Stockbreeding	3.446	-	-	(3.446)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	46.439	11.293	-	(46.439)
Mining and Quarrying	193	-	-	(193)
Production	8.368	-	-	(8.368)
Electricity, Gas and Water	37.878	11.293	-	(37.878)
Construction	9.520	3.848	-	(9.520)
Services	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	-	-	-	-
Total	59.405	15.141	-	(59.405)

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

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

Information related with value adjustments and loan loss provisions

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	59.405	1.692	(12.658)	-	48.439
General Loan Loss Provision	150.329	28.134	-	-	178.463

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	16.936	43.392	(923)	-	59.405
General Loan Loss Provision	125.194	25.135	-	-	150.329

The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

Current Period	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and Receivables					
Corporate Loans	20.281	-	-	-	20.281
Loans to SME	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	20.281	-	-	-	20.281

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

Prior Period	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and Receivables					
Corporate Loans	3.848	-	-	-	3.848
Loans to SME	-	11.293	-	-	11.293
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	3.848	11.293	-	-	15.141

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Credit risk mitigation

Qualitative disclosure on credit risk mitigation techniques

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

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

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

Current Period	Risk Amount (*)	Average Risk Amount (**)
Contingent and non-contingent claims on sovereigns	5.349.704	4.839.243
Contingent and non-contingent claims on regional governments and local authorities	-	-
Contingent and non-contingent claims on administrative units and non-commercial enterprises	8.743	8.023
Contingent and non-contingent claims on multilateral development banks	-	-
Contingent and non-contingent claims on international organizations	-	-
Contingent and non-contingent claims on banks and capital market intermediary	1.917.561	3.330.263
Contingent and non-contingent claims on corporates	24.049.655	18.623.281
Contingent and non-contingent claims included in the regulatory retail portfolios	-	-
Contingent and non-contingent claims secured by real estate property	1.152.136	1.243.116
Past due loans	-	-
Higher-risk categories defined by agency	-	30
Securities secured by mortgage	-	-
Securitization exposures	-	-
Short-term claims on banks and corporate	-	-
Undertakings for collective investments in transferable securities	400.945	214.765
Other claims	189.842	495.286

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

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

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INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Credit risk mitigation (continued)

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

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

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

(***) Includes the counterparty credit risk

Current Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation	3.197.785	84	402.867	4.568.450	-	17.432.150	-	-	-	124.974
Exposures After Credit Risk Mitigation	3.197.785	84	402.867	5.697.951	-	16.302.649	-	-	-	124.974

Prior Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation	3.496.034	-	3.860.136	3.884.700	-	14.518.837	64	106	-	123.143
Exposures After Credit Risk Mitigation	3.348.320	-	1.828.304	4.442.930	-	13.573.860	64	106	-	123.143

Credit risk mitigation techniques - Standard approach

		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	17.916.659	1.278.412	1.089.582	-	-	-	-
2	Debt securities	4.397.478	-	-	-	-	-	-
3	Total	22.314.137	1.278.412	1.089.582	-	-	-	-
4	Of which defaulted	48.439	-	-	-	-	-	-

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INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk mitigation (continued)

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

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

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

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

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

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INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to risk management (continued)

Credit risk mitigation (continued)

Standardised approach – Credit risk exposure and credit risk mitigation effects

	Asset Classes	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	5.150.038	199.666	5.150.038	39.933	996.206	19,2%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	8.743	-	1.749	1.749	100,0%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and capital market intermediary	1.245.465	672.096	1.245.465	224.913	621.859	42,3%
7	Exposures to corporates	15.598.584	8.451.073	15.598.584	1.631.200	16.467.915	95,6%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial real estate	1.089.582	62.554	1.089.582	39.920	564.751	50,0%
11	Past-due items	48.439	-	-	-	-	-
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	107.934	81.908	107.934	70.873	178.780	100,0%
17	Equity share investments	400.945	-	400.945	-	400.945	100,0%
18	Total	23.640.987	9.476.040	23.592.548	2.008.588	19.232.205	75,1%

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INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Credit risk mitigation(continued)

Credit risk under standardised approach (continued)

Standardised approach - Exposures by asset classes and risk weights

	Risk Groups/ Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	Other	Total Risk Amount (*)
1	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	3.197.558	-	-	1.992.413	-	-	-	-	-	5.189.971
2	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	-	-	-	-	-	-	-	-	-	-
3	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	-	-	-	-	-	1.749	-	-	-	1.749
4	Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
5	Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-
6	Contingent and Non-Contingent Receivables from Banks and Capital Market Intermediaries	-	84	402.867	1.052.300	-	15.127	-	-	-	1.470.378
7	Exposures to corporates	-	-	-	1.523.736	-	15.706.048	-	-	-	17.229.784
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.129.502	-	-	-	-	-	1.129.502
10	Past-due loans	-	-	-	-	-	-	-	-	-	-
11	Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, capital market intermediaries and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	400.945	-	-	-	400.945
16	Other exposures	27	-	-	-	-	178.780	-	-	-	178.807
17	Total	3.197.585	84	402.867	5.697.951	-	16.302.649	-	-	-	25.601.136

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

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INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR)

Qualitative disclosures on CCR

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

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

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

Analysis of counterparty credit risk exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	375.714	230.653	-	-	536.713	356.844
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)	-	-	-	-	229.704	133.023
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	489.867

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SECTION FOUR (Continued)

INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Credit valuation adjustment (CVA) for capital charge

		Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	536.713	203.492
4	Total subject to the CVA capital charge	536.713	203.492

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

Risk weight / Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Exposures to sovereigns and their central banks	1.450	-	-	-	-	-	-	-	1.450
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	521	-	-	521
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and capital market intermediary	-	-	29.851	485.940	-	-	-	-	515.791
Exposures to corporates	-	-	-	16.498	-	230.316	-	-	246.814
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures on landed real estate	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	1.841	-	-	1.841
Other assets	-	-	-	-	-	-	-	-	-
Total	1.450	-	29.851	502.438	-	232.678	-	-	766.417

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

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SECTION FOUR (Continued)

INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Collaterals used for CCR

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

Credit derivatives

None.

Exposures to central counterparties (CCP)

None.

Explanations on securitizations

None.

Disclosures on market risk

Qualitative information to be disclosed to public concerning market risk

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels..

Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully

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

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SECTION FOUR (Continued)

INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on market risk (continued)

Qualitative information to be disclosed to public concerning market risk

The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed on a daily basis and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations.

The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

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

Market Risk-standard approach

		RWA
	Outright products	-
1	Interest rate risk (general and specific)	610.262
2	Equity risk (general and specific)	-
3	Foreign exchange risk	24.263
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	634.525

Disclosure on operational risk

Information to be disclosed to the public regarding market risk

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

	31/12/2013	31/12/2014	31/12/2015	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	490.507	578.826	644.242	571.192	15	85.679
Value at Operational Risk (Total*12,5)						1.070.988

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SECTION FOUR (Continued)

INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on interest rate risk resulting from banking book

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

The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.

	Current Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss / Shareholders' Equity
	Currency			
1	TL	+500 / (400) basis point	(155.521) / 147.503	(5,02%) / 4,76%
2	Euro	+200 / (200) basis point	32.523 / (15.160)	1,05 % / (0,49%)
3	US Dollar	+200 / (200) basis point	(57.320) / 55.837	(%1,85) / 1,80%
	Total (for Negative Shocks)		188.181	6,07%
	Total (for Positive Shocks)		(180.318)	(5,82%)

	Prior Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
	Currency			
1	TL	+500 / (400) basis point	(109.504) / 101.850	(4,16%) / 3,87%
2	Euro	+200 / (200) basis point	24.347 / (16.939)	0,93% / (0,64%)
3	US Dollar	+200 / (200) basis point	(33.352) / 29.108	(1,27%) / 1,11%
	Total (for Negative Shocks)		114.019	4,34%
	Total (for Positive Shocks)		(118.509)	(4,50%)

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the unconsolidated 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	27	-	12	-
Balances with the Central Bank of Turkey	161.276	616.771	40.426	770.676
Other	-	-	-	-
Total	161.303	616.771	40.438	770.676

1.b. Information related to the account of the Central Bank of Turkey:

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

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

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

In accordance with the regulation issued at 27 January 2015, CBRT has begun to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015.

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2016 are presented in table below:

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

2.a.1 Trading securities:

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

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

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

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

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

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

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

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

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

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

Held for Trading Financial Derivative Instruments	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	13.290	8.819	769	2.606
Swap Transactions	112.529	115.180	8.427	83.584
Futures Transactions	-	-	-	-
Options	-	125.627	-	73.596
Other	-	-	-	-
Total	125.819	249.626	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	350	1.695	324	496.997
Foreign	15.010	46.398	-	37.508
Branches and head office abroad	-	-	-	-
Total	15.360	48.093	324	534.505

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

3.b Information on foreign banks:

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

(*) OECD countries other than European Union countries, USA and Canada.

4. Information on 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	111.173	-	1.507.545	-
Treasury bills	-	-	-	-
Other debt securities	-	101.682	-	76.662
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	111.173	101.682	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 1.252.789 (31 December 2015: TL 737.201).

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

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

Available for sale financial assets comprised of government bonds 59,38%, Eurobonds 31,52% and shares and other securities 9,10% (31 December 2015: government bonds 60,36%, Eurobonds 27,98% and shares and other securities 11,66%).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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	3.096.626	2.967.995
Quoted on a stock exchange	2.040.539	2.106.882
Unquoted	1.056.087	861.113
Share certificates	56.458	50.286
Quoted on a stock exchange	29.579	27.737
Unquoted	26.879	22.549
Other Impairment provision(-)	(82.662)	(47.312)
Total	3.070.422	2.970.969

The net book value of unquoted available for sale share certificates is TL 21.992 (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	21.131	-	84.840	117.412
Corporate shareholders	21.131	-	84.840	117.412
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	217	-	228	-
Total	21.348	-	85.068	117.412

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

- I. Explanations and disclosures related to the unconsolidated 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	17.123.481	49.896	-	195.112	142.768	2.330
Corporation loans	5.464.266	-	-	8.693	8.693	-
Export loans	157.895	-	-	44.994	44.994	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.263.509	-	-	-	-	-
Consumer loans	217	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	9.237.594	49.896	-	141.425	89.081	2.330
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	17.123.481	49.896	-	195.112	142.768	2.330

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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	49.896	139.419
Extended for 3-4 or 5 times	-	3.349
Extended for more than 5 times	-	-

Prior Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of amendments related to the extension of the payment plan		
Extended for 1 or 2 times	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	-	32.789
2-5 Years	49.896	95.327
5 Years	-	14.652

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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	645.279	-	44.994	44.994
Non-specialized loans	645.279	-	44.994	44.994
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	16.478.202	49.896	150.118	100.104
Non-specialized loans	16.478.202	49.896	150.118	100.104
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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	18	199	217
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	18	199	217
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	18	199	217

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

5.e Information on commercial loans with installments 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	125.356	32.171
Private	17.193.237	13.643.308
Total	17.318.593	13.675.479

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	17.246.461	13.588.730
Foreign loans	72.132	86.749
Total	17.318.593	13.675.479

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	346.306	451.705
Indirect loans granted to subsidiaries and associates	-	-
Total	346.306	451.705

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	3.092	3.603
Loans and receivables with doubtful collectability	-	-
Uncollectible loans and receivables	45.347	55.802
Total	48.439	59.405

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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)	-	-	10.707
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.707
Prior Period			
(Gross amounts before provisions)	-	-	5.395
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	5.395

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Prior period end balance	3.603	-	55.802
Additions (+)	20	-	1.672
Transfers from other categories of non-performing Loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-)	(531)	-	(12.127)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	3.092	-	45.347
Specific provision (-)	(3.092)	-	(45.347)
Net Balances on Balance Sheet	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the unconsolidated 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)	3.092	-	45.347
Specific Provision Amount (-)	(3.092)	-	(45.347)
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:

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

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

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economic environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5.1 Explanations about the write-off policies from the assets:

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	14.259.869	3.038.226	217	-	17.298.312
Past due not impaired	20.281	-	-	-	20.281
Individually impaired	12.809	35.630	-	-	48.439
Total	14.292.959	3.073.856	217	-	17.367.032
Less: allowance for individually impaired loans	(12.809)	(35.630)	-	-	(48.439)
Total allowance for impairment	(12.809)	(35.630)	-	-	(48.439)
Net Loan Amount	14.280.150	3.038.226	217	-	17.318.593

Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	11.491.571	2.168.539	228	-	13.660.338
Past due not impaired	3.848	11.293	-	-	15.141
Individually impaired	19.348	40.057	-	-	59.405
Total	11.514.767	2.219.889	228	-	13.734.884
Less: allowance for individually impaired loans	(19.348)	(40.057)	-	-	(59.405)
Total allowance for impairment	(19.348)	(40.057)	-	-	(59.405)
Net Loan Amount	11.495.419	2.179.832	228	-	13.675.479

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

	Corporate	SME	Consumer	Other	Total
At 1 January 2016	(19.348)	(40.057)	-	-	(59.405)
Charge for the year	(177)	(1.515)	-	-	(1.692)
Recoveries	6.716	5.942	-	-	12.658
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2016	(12.809)	(35.630)	-	-	(48.439)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5.m Other explanations and disclosures (continued):

	Corporate	SME	Consumer	Other	Total
At 1 January 2015	(14.448)	(2.488)	-	-	(16.936)
Charge for the year	(5.510)	(37.882)	-	-	(43.392)
Recoveries	581	313	-	-	894
Amounts written off	29	-	-	-	29
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2015	(19.348)	(40.057)	-	-	(59.405)

A breakdown of the allowance for impairment losses is given below:

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(12.809)	(35.630)	-	-	(48.439)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	12.809	35.630	-	-	48.439
Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(19.348)	(40.057)	-	-	(59.405)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	19.348	40.057	-	-	59.405

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

	Current Period	Prior Period
At 1 January	59.405	16.936
Charge for the year	1.692	43.392
Recoveries	(12.658)	(894)
Amounts written off	-	(29)
Interest accrued on impaired loans and other receivables	-	-
At 31 December	48.439	59.405
Individual impairment	(48.439)	(59.405)
Gross amount of loans, individually determined to be impaired, (before deducting any individually assessed impairment allowance)	48.439	59.405

Of the total aggregate amount of gross past due but not yet impaired loans and other receivables, the fair value of collaterals, capped with the respective outstanding loan balance, is as follows:

	Current Period	Prior Period
Residential, commercial and industrial property	13.608	11.230
Financial assets	-	-
Other (bailment, pledge for vehicles and ship)	82.294	-
Total	95.902	11.230

Loans and other receivables amounting to TL 11.687.620 have floating interest rates (31 December 2015: TL 10.104.058) and the remaining TL 5.630.973 have fixed interest rates (31 December 2015: TL 3.571.421).

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6. Information on held-to-maturity investments

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	186.736	-	-
Investments Subject to Repurchase Agreements	129.784	-	714.229	-
Total	129.784	186.736	714.229	-

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

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

6.3 Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities		
Quoted at stock Exchange	1.188.990	715.194
Unquoted at stock Exchange	186.739	157.408
Value Increase/ (Decrease)	-	-
Total	1.375.729	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	31.581	(789)
Purchases during the period (*)	417.241	851.290
Cash obtained from sale and amortization	(1.597)	(5.832)
Value changes	-	-
Interest income accruals	55.902	27.933
Balances at End of Period	1.375.729	872.602

(*) The CPI indexed government bonds with the nominal value of TL 339,321 are reclassified to held to maturity investments in current period. The Bank reclassified the "Eurobond" with nominal value of USD 34.577 from financial assets held-to-maturity portfolio and nominal value of TL 533.626 from "CPI indexed government bonds" to investments in available-for-sale portfolio in the prior period.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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	16,65	57,99
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	3.025.426	128.821	677	160.940	-	32.939	24.167	-
2	İş Finansal	4.508.334	755.147	16.751	292.573	-	81.800	81.481	190.820
3	İş Girişim	258.805	256.161	82	11.199	7.721	1.060	773	18.651
4	Terme (*)	15.466	3.677	231	364	-	26	75	-
5	Ege Tarım	11.253	11.096	8.078	118	-	(412)	(172)	-

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net)

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	66.900	(5.030)
Purchases	-	-
Bonus Shares Obtained	19.993	24.760
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase	46.907	-
Provision for Impairment	-	(29.790)
Balance at the End of the Period	222.908	156.008
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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 current period The Bank has obtained TL 19.993 bonus shares from İş Finansal Kiralama A.Ş.'s TL 70.000 capital increase.

7.a.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	190.820	122.527
Financial Service Companies	-	-
Other Financial Associates	18.651	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	209.471	142.571
Associates quoted on foreign stock exchanges	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net)

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

Current Period		
	YF (*)	TSKB GYO (*)
CORE CAPITAL		
Paid-in Capital	63.504	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	(120)	(29)
Current and Prior Years' Profit/Loss	181	38.818
Leasehold Improvements (-)	(731)	-
Intangible Assets (-)	(1.131)	(13)
Total Core Capital	63.855	198.156
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	63.855	198.156

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

Prior Period		
	YF (*)	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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the unconsolidated 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. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are 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. (YF)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	72,48
4	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Turkey	80,65	99,42

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	18.544	14.074	1.211	807	-	3.290	1.511	-
2	YF (*)	813.799	65.717	2.172	32.812	1.417	(6.161)	(2.194)	-
3	TSKB GYO (*)	439.411	198.168	433	480	-	(26.140)	12.381	57.879
4	TSKB SD	1.463	1.314	16	98	-	(293)	235	-

(*) 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	6.664	(11.505)
Purchases	1.000	-
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase	5.664	-
Provision for impairment	-	(11.505)
Balance at the end of the period	129.363	122.699
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the unconsolidated 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.

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

Subsidiaries purchased in the current period

The share of TSKB Sürdürülebilirlik Danışmanlığı A.Ş. increased in the amount of TL 1 million from TL 240 thousand to TL 1,24 million in the registry date of 20 July 2016 that is the bank's subsidiary share indirectly by Yatırım Finansman Menkul Değerler A.Ş. Equity interest of the Bank in the company has increased to 80.65%.

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

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	127.984	122.320

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	57.879	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	1.552	1.367	98	-
Between 1- 4 years	1.704	1.455	-	-
More than 4 years	1.137	970	-	-
Total	4.393	3.792	98	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

10. Information on finance lease receivables (net)

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

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

11. Explanation on derivative financial assets held for hedging purposes

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	44.374	(49.238)	-	(4.864)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	3.380	(4.378)	-	(498)

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

Prior 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	3.814	-	(5.980)	(2.166)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	376	-	(1.461)	(1.085)

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

12. Explanations on tangible assets (net)

As of the third quarter of the 2015, the Bank changed its accounting policy and adopted revaluation method for real estates under scope of TAS 16. In 2016 revaluation difference TL 3.510 (31 December 2015: TL 32.013) which are determined by the certified valuation companies, which are authorized by CMB and BRSA, are recorded under the shareholders' equity.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	36.860	-	-	3.510	40.370
Assets held under finance leases	2.388	-	(8)	-	2.380
Vehicles	990	-	(52)	-	938
Assets held for resale	576	-	-	-	576
Other	19.390	2.234	(403)	-	21.221
Total Cost	60.204	2.234	(463)	3.510	65.485
Accumulated depreciation					
Land and buildings	(33)	(89)	-	-	(122)
Assets held under finance leases	(2.008)	(124)	8	-	(2.124)
Vehicles	(490)	(152)	52	-	(590)
Assets held for resale	(3)	-	3	-	-
Other	(8.969)	(2.731)	370	-	(11.330)
Total accumulated depreciation	(11.503)	(3.096)	433	-	(14.166)
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(186)	(21)	-	-	(207)
Other	-	-	-	-	-
Total impairment provision	(186)	(21)	-	-	(207)
Net book value	48.515	(883)	(30)	3.510	51.112

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	6.460	753	-	29.647	36.860
Assets held under finance leases	2.443	-	(55)	-	2.388
Vehicles	990	-	-	-	990
Assets held for resale	1.786	-	(1.210)	-	576
Other	10.956	18.934	(10.500)	-	19.390
Total Cost	22.635	19.687	(11.765)	29.647	60.204
Accumulated depreciation					
Land and buildings	(2.277)	(122)	-	2.366	(33)
Assets held under finance leases	(1.937)	(126)	55	-	(2.008)
Vehicles	(291)	(199)	-	-	(490)
Assets held for resale	(18)	(13)	28	-	(3)
Other	(7.673)	(1.579)	283	-	(8.969)
Total accumulated depreciation	(12.196)	(2.039)	366	2.366	(11.503)
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(177)	(42)	33	-	(186)
Other	-	-	-	-	-
Total impairment provision	(177)	(42)	33	-	(186)
Net book value	10.262	17.606	(11.366)	32.013	48.515

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

12.a If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:

12.a.1 Events and conditions for recording or reversing impairment:

The Bank recorded 5% impairment provision per year for asset held for sale and tangible assets that are not depreciated.

12.a.2 Amount of recorded or reversed impairment in the financial statements:

In the current period, the Bank recorded impairment of tangible asset of TL 21. (The Bank recorded impairment of TL 42 and reversal of impairment TL 21).

12.b The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above (31 December 2015: None).

13. Information on intangible assets

13.a Useful lives and amortization rates used:

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

13.c Cost and accumulated amortization at the beginning and end of the period:

Current Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	4.618	(3.932)	5.308	(4.359)

Prior Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	4.315	(3.625)	4.618	(3.932)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

13. Information on intangible assets (continued)

13.d Movement of cost and accumulated amortization for the period:

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	2.174	690	-	2.864
Total Cost	2.174	690	-	2.864
Accumulated amortization:				
Software	(1.488)	(427)	-	(1.915)
Total Accumulated Amortization	(1.488)	(427)	-	(1.915)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	686	263	-	949

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	4.315	303	(2.444)	2.174
Total Cost	4.315	303	(2.444)	2.174
Accumulated amortization:				
Software	(3.625)	(307)	2.444	(1.488)
Total Accumulated Amortization	(3.625)	(307)	2.444	(1.488)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	690	(4)	-	686

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As at the reporting date, the Bank has no individual intangible asset which is material in the financial statements as a whole (31 December 2015: None).

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As at the reporting date, the Bank has no intangible assets acquired through government grants (31 December 2015: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As at the reporting date, the Bank has no intangible assets acquired with government incentives (31 December 2015: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

13. Information on intangible assets (continued)

13.h The book value of intangible assets that are pledged or restricted for use:

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2015: None).

13.i Amount of purchase commitments for intangible assets:

As at the reporting date, the Bank has no purchase commitments for intangible assets (31 December 2015: None).

13.j Information on revalued intangible assets according to their types:

The Bank did not revalue its intangible assets as at the reporting date (31 December 2015: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Bank has no research and development costs expensed in the current period (31 December 2015: None).

13.l Information on goodwill:

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

13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (31 December 2015: None).

13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (31 December 2015: None).

14. Information on investment property

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	17.378	16.103
Other provisions	18.000	12.000
Marketable securities	2.001	-
Employee benefit provision	1.869	1.750
Valuation of derivative instruments	-	5.802
Other	568	488
Total Deferred Tax Asset	39.816	36.143
Deferred tax liability:		
Marketable securities	-	(2.671)
Valuation of derivative instruments	(3.635)	-
Loan commissions accrual adjustment	(8.791)	(7.265)
Useful life difference of fixed assets	(362)	(321)
Other	(12.833)	(2.975)
Total Deferred Tax Liability	(25.621)	(13.232)
Net Deferred Tax Asset	14.195	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).

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).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. Explanations and disclosures related to the unconsolidated 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	13.094	4.779	753	1.348
Swap Transactions	97.551	79.597	42.180	55.518
Futures Transactions	-	-	-	-
Options	-	125.627	-	73.632
Other	-	-	-	-
Total	110.645	210.003	42.933	130.498

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

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	-	73.741	127.000	223.022
From Foreign Banks, Institutions and Funds	100.083	15.667.143	69.001	12.879.928
Total	100.083	15.740.884	196.001	13.102.950

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	73.741	-	56.360
Medium and long-term	100.083	15.667.143	196.001	13.046.590
Total	100.083	15.740.884	196.001	13.102.950

3.c Information on marketable securities issued

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

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

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

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

5. 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, 12 cars and 215 computers and 27 tablets are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2015: 2 head office buildings, 1 branch, 11 cars and 100 computers under operational leasing).

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(51.433)	-	(5.799)
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	(51.433)	-	(5.799)

7. Explanations on provisions

7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	178.463	150.329
Provisions for First Group Loans and Receivables	155.061	129.715
Provisions for Second Group Loans and Receivables	3.902	4.522
Provisions for Non-Cash Loans	2.714	2.721
Other	16.786	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 247 (31 December 2015: TL 1.776). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. Explanations and disclosures related to the unconsolidated 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 Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2016, employee termination benefits is amounting TL 7.906 reflected in financial statements (31 December 2015: TL 7.849). As of 31 December 2016, the Bank has provided a reserve for unused vacation amounting to TL 1.440 (31 December 2015: TL 1.289). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses amount of TL 900 are consisted after 1 January 2016, are recognised under equity in accordance with revised TAS 19 standard (31 December 2015: TL 382 actuarial loss).

Liabilities on pension rights

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

Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2015: None).

Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees

The Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2015 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 13 January 2017, there is no need for technical or actual deficit to book provision as of 31 December 2016.

Accordingly, as of 31 December 2016 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.15, the accounting policies related with employee benefits.

7.d.3 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts:

	Current Period	Prior Period
Other Provisions (*)	90.583	60.583
Total	90.583	60.583

(*) Other provisions balance includes amount to TL 90.000 for the risks related to loan portfolio, amount to TL 583 for unindemnified non-cash loans (31 December 2015: TL 60.000 provision).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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	5.066	-	41.871	-
Deferred tax liability	-	-	-	-
Total	5.066	-	41.871	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	5.066	41.871
Taxation of securities	334	437
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	3.374	3.085
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	130	193
Other	1.320	1.167
Total	10.224	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	28	23
Unemployment insurance-Employer	57	46
Other	-	-
Total	85	69

8.b Information on deferred taxes liabilities:

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

9. Explanations on liabilities regarding assets held for sale

None. (31 December 2015: None)

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

On 15 October 2016, the Bank paid the principal's payment at once and closed the subordinated loan (31 December 2015: The Bank obtained a subordinated loan amounting to 50 Million USD from International Finance Corporation through direct borrowing. Aforementioned loan's balance was TL 145.836)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.050.000	1.750.000
Preferred stock	-	-

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

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

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

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

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

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

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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity (continued)

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

The prior period income, 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	16.577	-	(35.994)	-
Valuation Differences	(26.515)	(26.774)	(31.066)	11.288
Foreign Exchange Difference	4.243	-	2.427	-
Total	(5.695)	(26.774)	(64.633)	11.288

11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	130.749	110.407
Second legal reserve	83.174	82.227
Other legal reserves appropriated in accordance with special legislation	-	-
Total	213.923	192.634

11.j Informations on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	106.400	82.703
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Total	106.400	82.703

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. Information on shareholders' equity (continued)

11.k Explanations related to equity:

Movement of equity reserves during the period

Current Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates(*)	Others Equity Reserves	Total
As at 1 January	(17.351)	(35.994)	31.348	57	(21.940)
Value increase/decrease of available for sale investments recognized directly under equity	(44.827)	52.571	-	-	10.542
Profit/loss on disposal of available for sale investments recycled to income statement from equity	3.402	-	-	-	604
Tax effect of gains on available for sale investments	6.537	-	-	-	6.537
Other	3.193	-	3.354	720	7.267
As at 31 December	(49.046)	16.577	34.702	777	3.010

(*)The valuation of real estates are made in accordance with the revaluation method in according to the scope of TAS 16. In 2016, the revaluation difference amounting to TL 3.510 and the related deferred tax effect amounting to TL 176 which are determined by the certified valuation companies - authorized by CMB and BRSA- are recorded under the shareholders' equity. The actuarial valuation method stated in TAS 19 has been used in the calculation of employee termination benefit. The actuarial gains and losses amounting to TL 900 and the related deferred tax effect amounting to TL 180 after 1 January 2016 have been accounted under equity in accordance with the revised TAS 19 standard.

Prior Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As at 1 January	119.450	(16.824)	9.320	374	112.320
Value increase/decrease of available for sale investments recognized directly under equity	(181.206)	(41.295)	-	-	(221.413)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	9.844	-	-	-	8.756
Tax effect of gains on available for sale investments	34.561	-	-	-	34.561
Other	-	22.125	22.028	(317)	43.836
As at 31 December	(17.351)	(35.994)	31.348	57	(21.940)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. Explanations and disclosures related to the unconsolidated 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	78.479	110.589
Commitments for Stock Brokerage Purchase and Sales	68.274	6.049
Commitments for Letter of Credit	118.050	19.275
Commitments from Forward Short Term Borrowing and Transfers	-	103.409
Capital commitments for subsidiaries and associates (*)	68.367	-
Other	204.417	157.739
Total	537.587	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.” As of 21 November, the Bank has paid 0.3 million EUR to fund for other part of shares.

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 693.817 (31 December 2015: TL 566.890).

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 975.393 (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	741.806	731.304
With maturity of one year or less than one year	32.575	49.945
With maturity of more than one year	709.231	681.359
Other non-cash loans	927.404	1.051.362
Total	1.669.210	1.782.666

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	4.073	1	-	-	-	-
Farming and stockbreeding	-	-	4.073	1	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	203.711	97	1.320.782	91	262.416	67	1.282.324	92
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	6.740	3	647.831	44	5.719	1	469.543	34
Electricity, Gas, Water	196.971	94	672.951	47	256.697	66	812.781	58
Construction	2.900	1	-	-	9.800	3	-	-
Services	3.839	2	133.905	8	118.585	30	109.541	8
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	321	-	133.905	8	117.733	30	108.787	8
Real Asset and Leasing Services	3.518	2	-	-	852	-	754	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	210.450	100	1.458.760	100	390.801	100	1.391.865	100

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

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	206.783	1.458.760	387.563	1.391.865	3.667	-	3.238	-
Letters of Guarantee	206.783	764.943	387.563	805.948	3.667	-	3.238	-
Bank Acceptances	-	17.450	-	19.027	-	-	-	-
Letters of Credit	-	676.367	-	566.890	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Explanation related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	15.679.164	8.043.151
Forward transactions	1.131.115	407.088
Swap transactions	7.616.113	5.159.665
Futures transactions	-	-
Option transactions	6.931.936	2.476.398
Interest related derivative transactions (II)	10.773.710	7.188.880
Interest rate swap transactions	10.773.710	7.188.880
Interest option transactions	-	-
Futures interest transactions	-	-
Other trading derivative transactions (III)	117.544	89.210
A. Total trading derivative transactions (I+II+III)	26.570.418	15.321.241
Types of hedging transactions		
Fair value hedges	7.747.800	4.689.900
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	7.747.800	4.689.900
Total Derivative Transactions (A+B)	34.318.218	20.011.141

As of 31 December 2016, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
Current Period									
TL	126.329	123.456	974.912	1.916.473	1.619.601	1.619.601	-	-	-
US Dollar	307.817	255.250	5.208.164	4.355.508	1.006.565	1.006.567	-	-	7.747.800
Euro	133.652	184.611	2.829.390	2.701.506	839.802	839.800	-	-	-
Other	-	-	268.322	253.092	-	-	-	-	-
Total	567.798	563.317	9.280.788	9.226.579	3.465.968	3.465.968	-	-	7.747.800

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Fair Value Hedge
Prior Period									
TL	23.898	23.946	644.427	910.250	526.886	526.886	-	-	-
US Dollar	123.284	77.278	3.332.782	3.516.676	508.486	508.485	-	-	4.689.900
Euro	57.272	101.410	2.005.996	1.603.982	202.827	202.828	-	-	-
Other	-	-	211.823	211.819	-	-	-	-	-
Total	204.454	202.634	6.195.028	6.242.727	1.238.199	1.238.199	-	-	4.689.900

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
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III. Explanations and disclosures related to the unconsolidated off-balance sheet items
(continued)

2. Explanation related to derivative financial instruments

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	153.173	(141.268)	7.616.113	53.283	(75.438)	5.159.665
Interest Rate Swap Transactions	58.255	(35.880)	10.773.710	38.728	(22.260)	7.188.880
Forward Transactions	22.109	(17.873)	1.131.115	3.375	(2.101)	407.088
Futures Transactions	-	-	-	-	-	-
Option Transactions	125.627	(125.627)	6.931.936	73.596	(73.632)	2.476.398
Other	16.281	-	117.544	-	-	89.210
Total	375.445	(320.648)	26.570.418	168.982	(173.431)	15.321.241

Fair value hedge

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

Hedging from the cash-flow risk

As of 31 December 2016 there is no cash-flow hedging transactions (31 December 2015: None).

3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2015: None).

4. Explanations on contingent liabilities and assets

There are 37 legal cases against the Bank which are amounting to TL 2.115 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

4. Explanations on contingent liabilities and assets (continued)

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 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.,

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. Explanations and disclosures related to the unconsolidated 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	69.426	6.504	25.484	3.229
Medium and long term loans	166.011	599.067	133.653	498.839
Interest on non-performing loans	4.015	84	421	123
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	239.452	605.655	159.558	502.191

(*) 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 (*)	3.371	-	1.235	-
Domestic banks	10.117	1.186	2.645	380
Foreign banks	155	563	225	209
Branches and head office abroad	-	-	-	-
Total	13.643	1.749	4.105	589

(*) 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	1.361	30	1.664	35
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	218.692	45.095	239.322	47.602
Investments Held to Maturity	78.270	8.793	25.854	3.001
Total	298.323	53.918	266.840	50.638

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	8.595	12.380

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. Explanations and disclosures related to the unconsolidated 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	16.177	25.041	7.836	18.411
The Central Bank of Turkey	-	-	-	-
Domestic banks	5.017	1.193	3.449	1.158
Foreign banks	11.160	23.848	4.387	17.253
Branches and head office abroad	-	-	-	-
Other financial institutions	2.487	198.700	-	147.905
Total (*)	18.664	223.741	7.836	166.316

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

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

The Bank has no interest expense to its associates and subsidiaries (31 December 2015: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (*)	-	149.831	-	92.869

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

3. Information on dividend income

	Current period	Prior period
Financial Assets held for Trading	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Financial Assets Available For Sale	2.711	2.880
Other	27.391	30.724
Total	30.102	33.604

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	1.402.637	1.307.961
Gains on capital market operations	7.098	11.811
Gains on derivative financial instruments (*)	882.298	699.343
Foreign exchange gains	513.241	596.807
Losses (-)	(1.457.419)	(1.309.944)
Losses on capital market operations	(1.181)	(8.160)
Losses on derivative financial instruments (*)	(882.124)	(806.101)
Foreign exchange losses	(574.114)	(495.683)

(*) The foreign exchange gain from derivative transactions amounting to TL 398.300 is presented in "Gains on derivative financial instruments" (31 December 2015: 305.308 TL), foreign exchange loss from derivative transactions amounting to TL (418.234) is presented in "Losses on derivative financial instruments" (31 December 2015: TL (474.921)).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	12.658	23.913
Gains on Sale of Assets	173	77
From Associate and Subsidiary Sales	114	-
From Immovable Fixed Asset Sales	-	76
From Property Sales	59	1
From Other Asset Sales	-	-
Other (*)	2.247	17.839
Total	15.078	41.829

(*) 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	1.692	43.975
III. Group Loans and Receivables	20	20
IV. Group Loans and Receivables	-	-
V. Group Loans and Receivables	1.672	43.955
General provision expenses	28.134	25.135
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	3.809	8.790
Trading securities	-	-
Investment securities available for sale	3.809	8.790
Impairment provisions	-	22.125
Associates	-	-
Subsidiaries	-	22.125
Entities under common control (joint vent.)	-	-
Investment securities held to maturity	-	-
Other (*)	30.000	-
Total	63.635	100.025

(*) Other provision contains amounting to TL 30.000 allocated for the risks related to the loan portfolio.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	72.694	63.316
Reserve for employee termination benefits	958	751
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	3.096	2.026
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	427	307
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	21	42
Depreciation expenses of assets for resale	-	13
Impairment expenses of assets held for sale	-	-
Other operating expenses	21.175	20.243
Rent expenses	8.852	8.134
Maintenance expenses	512	1.219
Advertisement expenses	873	575
Other expenses	10.938	10.315
Loss on sale of assets	-	52
Other	17.263	14.709
Total	115.634	101.459

8. Information on net profit from continued and discontinued operations before tax:

As of 31 December 2016, the Bank's profit before tax has increased by 16,68% compared to the prior period (31 December 2015: 10,13% increase). Net interest income of the Bank has increased by 24,34% compared to the prior period (31 December 2015: 14,43% increase)

9. Explanation on tax provision for continued and discontinued operations

9.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 98.641 (31 December 2015: TL 76.641). Deferred tax benefit is TL 18.166 (31 December 2015: TL 24.969 deferred tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 18.166 (31 December 2015: TL 24.969 deferred tax charge).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

As of 31 December 2016, the deferred tax benefit was calculated based on temporary timing differences is TL 18.166 (31 December 2015: TL 24.969 charge).

Deferred tax assets or liabilities are offset with the related accounts in this group if the differences between the carrying amount and the fair value of the deferred tax assets are related to the equity account group. For the year ended 31 December 2016, deferred tax loss amounting to TL 9.450 (31 December 2015: deferred tax loss: TL 32.960) is classified under equity.

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 Aralık 2015: None)

10. Information on net profit/loss

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

The Bank has generated TL 1.376.480 of interest income, TL 599.292 of interest expenses and TL 4.935 of net fee and commission income from banking operations (31 December 2015: TL 1.079.798 interest income, TL 454.727 interest expense, TL 11.418 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 (31 December 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

V. Explanations related to the unconsolidated statement of changes in shareholders' equity

1. Informations related to capital

As of 31 December 2016, the shareholders and capital structure 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	1.038.383	50,65	1.038.383	-
T. Vakıflar Bankası T.A.O.	171.738	8,38	171.738	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	839.879	40,97	839.879	-
Total	2.050.000	100,00	2.050.000	-

Prior Period	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	-

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

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

V. Explanations related to the unconsolidated statement of changes in shareholders' equity (continued)

3. Information on increases in the cash flow hedges

There is no increase in the cash flow hedges.

4. Reconciliation between beginning and ending balances for foreign currency differences

As of 31 December 2016, increasing amount of TL 1.816 arising from the revaluation of securities available for sale is disclosed under the exchange differences in the statement of changes in the unconsolidated equity. (31 December 2015: TL 2.427)

5. Information on the decrease arising from the revaluation of securities available-for-sale

The decrease arising from the revaluation of securities available-for-sale is explained in Note V.2, above.

6. Information about dividends

6.a Dividends declared subsequent to the reporting date, but before the announcement of the financial statements

Dividends related with the equity shares are determined by the General Assembly of the Shareholders. Number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the approval of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The profit distribution will be approved at the General Assembly, which is not yet held as of the date of the financial statements authorized for issue.

6.b Net dividend per share proposed after the reporting date:

As noted above as of the date of this report, the Bank has not yet computed its distributable profit and earnings per share for the approval in the General Assembly.

7. Amounts transferred to legal reserves

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

8. Offsetting of the prior period's losses

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to the unconsolidated statement of cash flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

In the current period, other income amounting to TL 21.286, consists of gain on sale of assets and non-interest income (31 December 2015: TL 123.966 gain on sale of assets, capital market transaction income and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL 1.281.363 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses and fees and commissions paid. (31 December 2015: TL 716.153 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses and fees and commissions paid).

In the current period, net increase/decrease item in other assets amounting to TL 71.697 (31 December 2015: TL (492.869)), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL (1.251.753) (31 December 2015: TL 25.621), consists of change in borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized amounting to TL 40.069 (31 December 2015: TL 43.025).

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

In the current period, the Bank invested TL (2.234) in tangible fixed assets and properties and invested TL 690 in intangible fixed assets. The Bank has invested (TL 1,000) to the capital of its subsidiary.

In the prior period, the Bank invested TL (19.687) in tangible fixed assets and properties and invested TL 303 in intangible fixed assets. There is no investment in associates and subsidiaries.

3. Information about disposal of associates, subsidiaries, and other investments

The total amount of purchases or sales of related account and their cash and cash equivalent assets;

In the current period, the Bank has generated a cash inflow of TL 203 on sale of movable fixed assets and properties (31 December 2015: TL 11.477).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to the unconsolidated statement of cash flows (continued)

4. Information on cash and cash equivalents at the end of the period

Information on cash and cash equivalents at the beginning of the period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	12	8
Cash Equivalents	1.652.266	261.094
Total	1.652.278	261.102

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	27	12
Cash Equivalents	481.886	1.652.266
Total	481.913	1.652.278

5. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

Reserves amounting to TL 612.776 (31 December 2015: TL 767.239) in Turkish Republic Central Bank represent Turkish Lira, foreign currency and gold reserve requirements of the Bank.

6. Additional information related to financial position and liquidity of the Bank

6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VII. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	451.705	322	53.167	117.412	91.272	-
Balance at End of Period	346.306	7.878	21.131	117.412	90.035	-
Interest and Commission Income	8.360	235	1.080	67	4.104	-

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	12.375	5	1.582	294	4.208	-

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	116.656	97.317	-	-	-	-
End of the Period	849.378	116.656	-	-	-	-
Total Profit / Loss	6.801	(18.489)	-	-	-	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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 10.026 (31 December 2015: TL 8.202).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:

1. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank

	Number	Number of Employees			
Domestic branches	2	357			
			Country of Incorporation		
Foreign Rep-offices	-	-			
				Total Asset	Capital
Foreign Branches	-	-		-	-
Off-shore Banking Region Branches	-	-		-	-

2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly

In the current year, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

In the prior period, the Bank has not opened any branch or agency and there is no significant change in the organization structure of the Bank's operating branches.

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SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to operations of the Bank

1.a Brief information related to ratings carried out by international rating firms:

FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	BBB-
Long-term Maturity Foreign Currency Outlook (issuer)	Negative
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB
Long-term Maturity National Currency Outlook (issuer)	Negative
Short-term Maturity National Currency (issuer)	F3
Support Note	2
Support Note Base	BBB-
National Note	AAA
National Note Outlook	Stable
Privileged Unsecured Debt Rating Note	BBB-

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook without changing on 18 October 2016 and determined Bank's "Privileged Unsecured Debt Notes" as BBB- for the Eurobonds maturity with 30 October 2019, 22 April 2020 and for "Green Sustainable Bonds" maturity with 18 May 2021.

MOODY'S

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

Information above represents updated information as of 26 September 2016.

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

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

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

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SECTION SIX (Continued)

OTHER EXPLANATIONS (Continued)

II. Other explanations related to the events after the reporting date

None.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The unconsolidated financial statements as of and for the year ended 31 December 2016 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and auditors' report dated 1 February 2017 is presented in the introduction of this report.

II. Explanations and notes prepared by independent auditors

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