

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

**Publicly announced consolidated financial statements and  
related disclosures at September 30, 2017 together with auditor's  
review report**

(Convenience translation of publicly announced consolidated financial statements and  
independent auditor's review report originally issued in Turkish, See Note I. of Section three)

**(Convenience translation of the independent auditor’s review report originally issued in Turkish,  
See Note I. of Section three)**

## **INTERIM REVIEW REPORT**

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

### **Introduction**

We have reviewed the consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. (“the Bank”) and its consolidated financial subsidiaries (together will be referred as “the Group”) at 30 September 2017 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month- period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with 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 Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation (together referred as “BRSA Accounting and Financial Reporting Legislation”). Our responsibility is to express a conclusion on these interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. and its financial subsidiaries as at 30 September 2017 and of the results of its operations and its cash flows for the nine-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### **Report on other regulatory requirements arising from legislation**

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

### **Other Matter**

The financial statements of the Group as of December 31, 2016 and September 30, 2016 were audited and reviewed by another independent audit firm, who expressed an unqualified opinion and conclusion in their audit and review reports dated February 1, 2017 and October 27, 2016 respectively.

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

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst&Young Global Limited



Yaşar Bivas, SMMM  
Partner

October 25, 2017  
İstanbul, Türkiye



**THE CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017**

Address: Meclisi Mebusan Cad. No:81 Fındıklı /İstanbul  
Telephone: (212) 334 51 97  
Fax : (212) 334 52 34  
Web-site: [www.tskb.com.tr](http://www.tskb.com.tr)  
E-mail: [ir@tskb.com.tr](mailto:ir@tskb.com.tr)

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

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

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

**Subsidiaries**

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

**Associates**

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

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the nine months, 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 reviewed and presented as attached.

25 October 2017

  
**H. Ersin ÖZİNCE**

**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**

  
**Ebru ÖZŞUCA**

**Member of Audit Committee**

  
**Mehmet ŞENCAN**

**Member of Audit Committee**

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

**Name-Surname / Title** : Tolga Sert / Head of Financial Control Department  
**Telephone Number** : (0212) 334 51 97

**Türkiye Sınai Kalkınma Bankası A.Ş.  
Industrial Development Bank of Turkey**

Meclisi Mebusan Cad. 81 Fındıklı 34427 İstanbul - TURKEY Phone: (+90 212) 334 50 50 Fax: (+90 212) 334 52 34 Trade Register Number: 42527  
[www.tskb.com](http://www.tskb.com)

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# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

### SECTION ONE

#### GENERAL INFORMATION

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

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

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

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

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

<b>Current Period</b>				
<b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	1.217.027	50,71	1.217.027	-
T. Vakıflar Bankası T.A.O.	201.060	8,38	201.060	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	981.913	40,91	981.913	-
<b>Total</b>	<b>2.400.000</b>	<b>100,00</b>	<b>2.400.000</b>	<b>-</b>

<b>Prior Period</b>				
<b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	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	-
<b>Total</b>	<b>2.050.000</b>	<b>100,00</b>	<b>2.050.000</b>	<b>-</b>

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,71% of the shares belongs to İş Bank Group and 38,96% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

Name Surname	Title (1)
H. Ersin Özince (2)	Chairman of the Board of Directors
Mehmet Şencan (5)	Vice Chairman of the Board of Directors and Audit Committee
Yavuz Canevi	Member of the Board of Directors
Suat İnce	Member of the Board of Directors and General Manager
Mehmet Emin Özcan (6)	Member of the Board of Directors
Ebru Özşuca (4)	Member of the Board of Directors and Audit Committee
Mithat Rende (3)	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Kamil Yılmaz	Member of the Board of Directors
Can Yücel	Member of the Board of Directors

**General Manager and Vice Presidents**

Name Surname	Title / Area of Responsibility
Suat İnce	General Manager
Çiğdem İçel	Vice President – Economic Research, Financial Institutions, Development Finance Institutions and Engineering and Technical Services
Ufuk Bala Yücel	Vice President – Loans, Loan Monitoring and Loan Operations
B. Gökhan Çanakpınar	Vice President – Support Services, System And Network Support and Application Development
Ece Börü	Vice President – Budget Planning and Investor Relations, Financial Analysis and Valuation and Financial Control
Hakan Aygen	Vice President – Corporate Finance, Corporate Banking and Project Finance
A. Ferit Eraslan	Vice President – Board of Internal Auditors, Internal Control and Risk Management
Aslı Zerrin Hancı	Vice President – Treasury, Treasury and Capital Markets Operations
H. Yetkin Kesler	Vice President – Pension and Assistance Funds, Human Resources and Corporate Communication, Enterprise Architecture and Process Management and Corporate Compliance

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

(2) In the Board of Directors meeting held on 07 April 2017, Mr. H. Ersin Özince was appointed as Chairman of the Board of Directors due to Mr. Adnan Bali's resignation from his duty in accordance with the 363<sup>rd</sup> article of the Turkish Commercial Code and the 16<sup>th</sup> article of The Bank's core contract.

(3) In the Board of Directors meeting held on 22 March 2017, Mr. Mithat Rende was appointed as member of the Board of Directors due to Mr. Kemal Saç's resignation from his duty. Mr Rende has started his duty on 4 April 2017 by taking his oath.

(4) In the Board of Directors meeting held on 3 April 2017, Mrs. Ebru Özşuca was appointed to Audit Committee due to changing in members.

(5) In the Board of Directors meeting held on 7 June 2017, Mr. Mehmet Şencan was appointed as member of Audit Committee and the Vice Chairman Board of Directors due to Mr. Fikret Utku Özdemir's resignation from his duty.

(6) In the Board of Directors meeting held on 14 June 2017, Mr. Mehmet Emin Özcan was appointed as member of the Board of Directors due to Mr. Halil Aydoğan's resignation from his duty.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2017 in the General Assembly Meeting held on 23 March 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

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

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

**İş Finansal Kiralama A.Ş.:**

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

**İş Faktoring A.Ş.:**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

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

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

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS OF 30 SEPTEMBER 2017**

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

ASSETS	Note Ref.	Reviewed Current Period 30 September 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	32.076	874.808	906.884	161.305	616.771	778.076
<b>II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)</b>	(2)	189.128	121.617	310.745	139.799	247.238	387.037
2.1 Trading financial assets		189.128	121.617	310.745	139.799	247.238	387.037
2.1.1 Public sector debt securities		13.728	-	13.728	5.947	-	5.947
2.1.2 Share certificates		12	-	12	980	-	980
2.1.3 Derivative financial assets held for trading		166.192	121.617	287.809	126.798	247.238	374.036
2.1.4 Other marketable securities		9.196	-	9.196	6.074	-	6.074
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	114.669	276.116	390.785	75.108	422.841	497.949
<b>IV. MONEY MARKET PLACEMENTS</b>		136.205	-	136.205	63.796	191.138	254.934
4.1 Interbank money market placements		136.205	-	136.205	-	191.138	191.138
4.2 Istanbul Stock Exchange money market placements		-	-	-	62.895	-	62.895
4.3 Receivables from reverse repurchase agreements		-	-	-	901	-	901
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	2.019.178	983.261	3.002.439	2.048.308	1.020.104	3.068.412
5.1 Share certificates		40.663	23.263	63.926	28.081	18.582	46.663
5.2 Public sector debt securities		1.786.765	959.267	2.746.032	1.823.078	967.854	2.790.932
5.3 Other marketable securities		191.750	731	192.481	197.149	33.668	230.817
<b>VI. LOANS AND RECEIVABLES</b>	(5)	3.865.658	16.856.458	20.722.116	2.613.249	14.722.796	17.336.045
6.1 Loans and receivables		3.865.658	16.856.458	20.722.116	2.613.249	14.722.796	17.336.045
6.1.1 Loans to risk group of the Bank		106.198	175.176	281.374	193.048	212.410	405.458
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		3.759.460	16.681.282	20.440.742	2.420.201	14.510.386	16.930.587
6.2 Non performing loans		55.323	1.164	56.487	50.253	1.362	51.615
6.3 Specific provisions (-)		(55.323)	(1.164)	(56.487)	(50.253)	(1.362)	(51.615)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	1.270.930	183.487	1.454.417	1.188.990	186.739	1.375.729
8.1 Public sector debt securities		1.270.930	183.487	1.454.417	1.188.990	186.739	1.375.729
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	361.010	-	361.010	324.477	-	324.477
9.1 Accounted for under equity method		359.455	-	359.455	322.922	-	322.922
9.2 Unconsolidated associates		1.555	-	1.555	1.555	-	1.555
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.555	-	1.555	1.555	-	1.555
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	1.609	-	1.609	1.609	-	1.609
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		1.609	-	1.609	1.609	-	1.609
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	1.760	-	1.760	1.760	-	1.760
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		1.760	-	1.760	1.760	-	1.760
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		1.760	-	1.760	1.760	-	1.760
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	-	44.607	44.607	-	3.792	3.792
12.1 Finance lease receivables		-	52.287	52.287	-	4.393	4.393
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(7.680)	(7.680)	-	(601)	(601)
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	8.430	8.430	-	272	272
13.1 Fair value hedge		-	8.430	8.430	-	272	272
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	228.883	-	228.883	231.328	-	231.328
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	2.996	-	2.996	3.098	-	3.098
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		1.991	-	1.991	2.093	-	2.093
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	231.806	-	231.806	231.323	-	231.323
<b>XVII. TAX ASSET</b>	(15)	13.093	-	13.093	21.214	-	21.214
17.1 Current tax asset		3.773	-	3.773	3.032	-	3.032
17.2 Deferred tax asset		9.320	-	9.320	18.182	-	18.182
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	93.140	150.077	243.217	81.592	276.839	358.431
<b>TOTAL ASSETS</b>		8.562.141	19.498.861	28.061.002	7.186.956	17.688.530	24.875.486

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

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

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

**AS OF 30 SEPTEMBER 2017**

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

LIABILITIES	Note Ref	Reviewed Current Period 30 September 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	124.006	95.856	219.862	115.009	205.788	320.797
<b>III. FUNDS BORROWED</b>	(3)	231.604	17.118.129	17.349.733	147.252	15.980.244	16.127.496
<b>IV. MONEY MARKET BALANCES</b>		1.391.739	282.046	1.673.785	1.195.236	60.998	1.256.234
4.1 Interbank money market takings		226.001	136.511	362.512	610.144	-	610.144
4.2 Istanbul Stock Exchange money market takings		390.626	-	390.626	350.736	-	350.736
4.3 Funds provided under repurchase agreements		775.112	145.535	920.647	234.356	60.998	295.354
<b>V. DEBT SECURITIES ISSUED (Net)</b>	(3)	-	3.574.572	3.574.572	-	3.486.732	3.486.732
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	3.574.572	3.574.572	-	3.486.732	3.486.732
<b>VI. FUNDS</b>		3.448	24.654	28.102	1.511	3.806	5.317
6.1 Borrower funds		3.448	24.654	28.102	1.511	3.806	5.317
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		14.813	59.077	73.890	16.774	80.097	96.871
<b>VIII. OTHER LIABILITIES</b>	(4)	109.965	15.292	125.257	96.608	133	96.741
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES</b>	(5)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(6)	-	37.194	37.194	-	51.433	51.433
11.1 Fair value hedge		-	37.194	37.194	-	51.433	51.433
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	303.787	-	303.787	279.033	-	279.033
12.1 General loan loss provisions		194.496	-	194.496	177.167	-	177.167
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		13.018	-	13.018	10.904	-	10.904
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		96.273	-	96.273	90.962	-	90.962
<b>XIII. TAX LIABILITY</b>	(8)	37.736	-	37.736	11.779	-	11.779
13.1 Current tax liability		37.736	-	37.736	11.779	-	11.779
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	1.072.772	1.072.772	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>		3.545.246	19.066	3.564.312	3.169.827	(26.774)	3.143.053
16.1 Paid-in capital	(11)	2.400.000	-	2.400.000	2.050.000	-	2.050.000
16.2 Capital reserves		167.481	19.066	186.547	159.098	(26.774)	132.324
16.2.1 Share premium		428	-	428	428	-	428
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	(34.739)	19.066	(15.673)	(43.122)	(26.774)	(69.896)
16.2.4 Tangible assets revaluation differences	(11)	201.168	-	201.168	201.168	-	201.168
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging reserves (Effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		624	-	624	624	-	624
16.3 Profit reserves		441.740	-	441.740	408.096	-	408.096
16.3.1 Legal reserves		241.292	-	241.292	216.361	-	216.361
16.3.2 Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3 Extraordinary reserves		121.888	-	121.888	113.175	-	113.175
16.3.4 Other profit reserves		2.919	-	2.919	2.919	-	2.919
16.4 Profit or loss		485.397	-	485.397	494.664	-	494.664
16.4.1 Prior years' profit/loss		18.219	-	18.219	51.233	-	51.233
16.4.2 Current year profit/loss		467.178	-	467.178	443.431	-	443.431
16.5 Non-controlling interests		50.628	-	50.628	57.969	-	57.969
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.762.344</b>	<b>22.298.658</b>	<b>28.061.002</b>	<b>5.033.029</b>	<b>19.842.457</b>	<b>24.875.486</b>

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



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

**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET  
AS OF 30 SEPTEMBER 2017**

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

OFF-BALANCE SHEET COMMITMENTS		Reviewed Current Period 30 September 2017			Audited Prior Period 31 December 2016			
		Note Ref	TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8.488.136	37.130.013	45.618.149	8.837.735	35.599.977	44.437.712
I.	GUARANTEES AND COLLATERALS	(1)	553.137	2.004.580	2.557.717	210.448	1.458.760	1.669.208
1.1	Letters of guarantee		553.137	889.242	1.442.379	210.448	764.943	975.391
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		553.137	889.242	1.442.379	210.448	764.943	975.391
1.2	Bank acceptances		-	17.688	17.688	-	17.450	17.450
1.2.1	Import letters of acceptance		-	17.688	17.688	-	17.450	17.450
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		-	1.097.650	1.097.650	-	676.367	676.367
1.3.1	Documentary letters of credit		-	1.097.650	1.097.650	-	676.367	676.367
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		-	-	-	-	-	-
1.9	Other collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(1)	2.136.012	3.627.578	5.763.590	2.318.595	6.274.080	8.592.675
2.1	Irrevocable commitments		1.744.085	412.713	2.156.798	1.022.236	301.200	1.323.436
2.1.1	Forward asset purchase and sales commitments		85.414	158.785	244.199	23.159	55.320	78.479
2.1.2	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitment to associates and subsidiaries		-	75.387	75.387	-	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		1.658.671	178.541	1.837.212	999.077	177.513	1.176.590
2.2	Revocable commitments		391.927	3.214.865	3.606.792	1.296.359	5.972.880	7.269.239
2.2.1	Revocable loan granting commitments		391.927	3.214.865	3.606.792	1.296.359	5.972.880	7.269.239
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	5.798.987	31.497.855	37.296.842	6.308.692	27.867.137	34.175.829
3.1	Derivative financial instruments for hedging purposes		-	9.975.750	9.975.750	-	7.747.800	7.747.800
3.1.1	Fair value hedge		-	9.975.750	9.975.750	-	7.747.800	7.747.800
3.1.2	Cash flow hedge		-	-	-	-	-	-
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		5.798.987	21.522.105	27.321.092	6.308.692	20.119.337	26.428.029
3.2.1	Forward foreign currency buy/sell transactions		954.872	1.083.867	2.038.739	249.785	881.330	1.131.115
3.2.1.1	Forward foreign currency transactions-buy		477.657	541.939	1.019.596	126.329	441.469	567.798
3.2.1.2	Forward foreign currency transactions-sell		477.215	541.928	1.019.143	123.456	439.861	563.317
3.2.2	Swap transactions related to f.c. and interest rates		3.062.107	18.231.400	21.293.507	2.819.705	15.427.729	18.247.434
3.2.2.1	Foreign currency swaps-buy		1.126.056	3.323.102	4.449.158	1.098.878	2.724.038	3.822.916
3.2.2.2	Foreign currency swaps-sell		1.898.251	2.396.050	4.294.301	1.680.003	1.970.805	3.650.808
3.2.2.3	Interest rate swaps-buy		18.900	6.256.124	6.275.024	20.412	5.366.443	5.386.855
3.2.2.4	Interest rate swaps-sell		18.900	6.256.124	6.275.024	20.412	5.366.443	5.386.855
3.2.3	Foreign currency, interest rate and securities options		1.782.008	2.108.541	3.890.549	3.239.202	3.692.734	6.931.936
3.2.3.1	Foreign currency options-buy		891.004	1.054.713	1.945.717	1.619.601	1.846.367	3.465.968
3.2.3.2	Foreign currency options-sell		891.004	1.053.828	1.944.832	1.619.601	1.846.367	3.465.968
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		-	98.297	98.297	-	117.544	117.544
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		55.800.920	208.173.621	263.974.541	43.886.431	190.051.234	233.937.665
IV.	ITEMS HELD IN CUSTODY		1.834.982	279.296	2.114.278	1.390.976	132.226	1.523.202
4.1	Customers' securities held		-	-	-	-	-	-
4.2	Investment securities held in custody		1.295.724	279.296	1.575.020	1.185.233	132.226	1.317.459
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		539.258	-	539.258	205.743	-	205.743
V.	PLEDGED ITEMS		40.623.376	120.456.422	161.079.798	31.662.429	112.629.624	144.292.053
5.1	Marketable securities		450.945	8.384.632	8.835.577	450.941	7.564.328	8.015.269
5.2	Guarantee notes		108.658	2.235.935	2.344.593	97.196	2.042.232	2.139.428
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real estates		850.910	32.017.259	32.868.169	428.385	29.854.058	30.282.443
5.6	Other pledged items		39.212.863	77.818.596	117.031.459	30.685.907	73.169.006	103.854.913
5.7	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED BILLS OF EXCHANGE AND COLLATERALS		13.342.562	87.437.903	100.780.465	10.833.026	77.289.384	88.122.410
TOTAL OFF BALANCE SHEET ITEMS (A+B)			64.289.056	245.303.634	309.592.690	52.724.166	225.651.211	278.375.377

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

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

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Reviewed Current Period 1 January 2017 – 30 September 2017	Reviewed Prior Period 1 January 2016 – 30 September 2016	Reviewed Prior Period 1 July 2017 – 30 September 2017	Reviewed Prior Period 1 July 2016 – 30 September 2016
<b>I. INTEREST INCOME</b>	(1)	<b>1,329,177</b>	<b>1,024,982</b>	<b>482,800</b>	<b>364,251</b>
1.1 Interest on loans		931,868	601,470	337,602	215,793
1.2 Interest received from reserve deposits		3,885	2,540	1,601	805
1.3 Interest received from banks		50,218	20,103	22,624	9,108
1.4 Interest received from money market placements		45,036	136,150	9,868	46,312
1.5 Interest received from marketable securities portfolio		295,608	264,101	110,097	92,072
1.5.1 Financial assets held for trading		1,563	2,444	816	586
1.5.2 Financial assets at fair value through profit and loss		-	-	-	-
1.5.3 Available-for-sale financial assets		171,803	198,522	58,807	67,753
1.5.4 Investments held-to-maturity		122,242	63,135	50,474	23,733
1.6 Finance lease income		929	10	469	9
1.7 Other interest income		1,633	608	539	152
<b>II. INTEREST EXPENSES</b>	(2)	<b>(616,094)</b>	<b>(463,096)</b>	<b>(222,704)</b>	<b>(163,435)</b>
2.1 Interest on deposits		-	-	-	-
2.2 Interest on funds borrowed		(238,108)	(182,585)	(83,630)	(70,096)
2.3 Interest on money market borrowings		(192,007)	(180,657)	(70,068)	(51,757)
2.4 Interest on securities issued		(185,272)	(99,722)	(68,788)	(41,533)
2.5 Other interest expense		(707)	(132)	(218)	(49)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>713,083</b>	<b>561,886</b>	<b>260,096</b>	<b>200,816</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>28,757</b>	<b>17,586</b>	<b>10,014</b>	<b>4,683</b>
4.1 Fees and commissions received		37,369	26,324	12,882	7,505
4.1.1 Non-cash loans		11,649	8,192	3,908	2,588
4.1.2 Other	(11)	25,720	18,132	8,974	4,917
4.2 Fees and commissions paid		(8,612)	(8,738)	(2,868)	(2,822)
4.2.1 Non-cash loans		(1,762)	(944)	(646)	(429)
4.2.2 Other		(6,850)	(7,794)	(2,222)	(2,393)
<b>V. DIVIDEND INCOME</b>	(3)	<b>5,421</b>	<b>11,486</b>	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>(56,507)</b>	<b>(55,637)</b>	<b>(29,444)</b>	<b>(27,865)</b>
6.1 Securities trading gains/ (losses)		4,122	4,092	1,809	253
6.2 Derivative financial instruments gains/losses		(194,976)	(127,886)	(58,757)	(1,047)
6.3 Foreign exchange gains/losses (net)		134,347	68,157	27,504	(27,071)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>9,719</b>	<b>21,677</b>	<b>3,057</b>	<b>3,131</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>700,473</b>	<b>556,998</b>	<b>243,723</b>	<b>180,765</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(32,989)</b>	<b>(35,737)</b>	<b>(11,002)</b>	<b>(12,212)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(124,292)</b>	<b>(116,525)</b>	<b>(38,969)</b>	<b>(35,499)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>543,192</b>	<b>404,736</b>	<b>193,752</b>	<b>133,054</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. PROFIT / (LOSS) ON EQUITY METHOD</b>		<b>32,620</b>	<b>29,460</b>	<b>10,611</b>	<b>8,517</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>575,812</b>	<b>434,196</b>	<b>204,363</b>	<b>141,571</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(8)	<b>(116,267)</b>	<b>(84,275)</b>	<b>(42,062)</b>	<b>(29,750)</b>
16.1 Provision for current income taxes		(117,450)	(93,571)	(30,552)	(21,089)
16.2 Provision for deferred taxes		1,183	9,296	(11,510)	(8,661)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(9)	<b>459,545</b>	<b>349,921</b>	<b>162,301</b>	<b>111,821</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-	-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-	-	-
18.3 Income on other discontinued operations		-	-	-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1 Loss from assets held for sale		-	-	-	-
Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-	-	-
19.2 Loss from other discontinued operations		-	-	-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Provision for current income taxes		-	-	-	-
21.2 Provision for deferred taxes		-	-	-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(10)	<b>459,545</b>	<b>349,921</b>	<b>162,301</b>	<b>111,821</b>
23.1 Group's profit / loss		467,178	354,694	165,378	115,516
23.2 Minority shares		(7,633)	(4,773)	(3,077)	(3,695)
<b>Earnings / (losses) per share (Full Kuruş)</b>		<b>0,195</b>	<b>0,173</b>	<b>0,069</b>	<b>0,056</b>

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

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017**

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

	Reviewed Current Period 1 January 2017 – 30 September 2017	Reviewed Prior Period 1 January 2016 – 30 September 2016
<b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	58,546	48,996
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	2,100	(501)
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	3,914	(9,217)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(10,045)	(9,578)
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	54,515	29,700
XI. CURRENT YEAR PROFIT/LOSS	459,545	349,921
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	153	735
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	459,392	349,186
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>514,060</b>	<b>379,621</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017**  
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDER'S EQUITY															Shareholders' Equity Before Non-controlling Interest		Non-controlling Interest		Total Shareholders' Equity
Prior Period - 30 September 2016															Revaluation Surplus on Assets Held for sale and on Disc. Operations				
	Paid in Capital	Note Ref.	Other Capital Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Price Paid / Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations			
I. Opening Balance	1,750,000		30	428	-	195,072	75,641	89,478	2,711	-	458,078	(27,755)	174,619	-	-	2,718,302			
II. Changes in accounting policies according to TAS 8	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
III. Effects of errors	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
IV. New balance (H+D)	1,750,000		30	428	-	195,072	75,641	89,478	2,711	-	458,078	(27,755)	174,619	-	-	2,718,302			
V. Changes in the period	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
VI. Increase/decrease due to merger	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
VII. Marketable securities value increase fund	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
VIII. Cash flow hedge	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
IX. Hedge of net investment in foreign operations	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
X. Tangible assets revaluation differences	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XI. Intangible assets revaluation differences	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XIII. Foreign exchange differences	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XIV. Disposal of assets	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XV. Reclassification of assets	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XVI. Effect of change in equities of associates on bank's equity	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XVII. Capital increase	300,000		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XVIII. Cash	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XIX. Internal sources	300,000		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XX. Share issuance	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXI. Share cancellation profits	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXII. Effect of inflation on paid-in capital	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXIII. Other	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXIV. Period net income	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXV. Profit distribution	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXVI. Dividends distributed	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXVII. Transfers to reserves	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXVIII. Other	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXIX. Closing Balance	2,050,000		(87)	428	-	216,361	75,641	113,175	2,919	354,694	51,233	1,869	174,639	-	-	3,040,872			
Current Period - 30 September 2017															68,706	3,101,578			
I. Opening Balance	2,050,000		624	428	-	216,361	75,641	113,175	2,919	-	494,664	(69,896)	201,168	-	-	3,085,084			
II. Increase / Decrease related to merger	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
III. Marketable securities value increase fund	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
IV. Hedging (Effective portion)	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
V. Cash-flow hedge	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
VI. Hedge of net investment in foreign operations	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
VII. Tangible assets revaluation differences	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
VIII. Intangible assets revaluation differences	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
X. Foreign exchange differences	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XI. Disposal of assets	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XII. Reclassification of assets	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XIII. Effect of change in equities of associates on bank's equity	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XIV. Capital increase	350,000		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XV. Cash	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XVI. Internal sources	350,000		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XVII. Share issuance	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XVIII. Share cancellation profits	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XIX. Effect of inflation on paid-in capital	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XX. Other	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXI. Period net income	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXII. Profit distribution	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXIII. Dividends distributed	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXIV. Transfers to reserves	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXV. Other	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
XXVI. Closing Balance	2,400,000		624	428	-	241,292	75,641	131,888	2,919	467,178	18,219	(15,673)	201,168	-	-	3,543,664			
Current Period - 30 September 2017															50,628	3,564,312			

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



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Notes	Reviewed Current Period 30 September 2017	Reviewed Prior Period 30 September 2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		569.907	521.866
1.1.1 Interest received		1.193.191	916.459
1.1.2 Interest paid		(571.719)	(347.583)
1.1.3 Dividends received		5.421	11.486
1.1.4 Fees and commissions received		37.369	26.324
1.1.5 Other income		47.899	55.823
1.1.6 Collections from previously written off loans		837	12.952
1.1.7 Payments to personnel and service suppliers		(91.960)	(86.723)
1.1.8 Taxes paid		(92.340)	(114.331)
1.1.9 Others		41.209	47.459
1.2 Changes in operating assets and liabilities		(2.047.137)	(942.601)
1.2.1 Net (increase) decrease in financial assets		(8.977)	13.435
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		(2.432.971)	(1.295.132)
1.2.5 Net (increase) decrease in other assets		(148.768)	(31.288)
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		119.109	221.870
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		424.470	148.514
I. Net cash provided by/(used in) banking operations		(1.477.230)	(420.735)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
II. Net cash provided by/(used in) investing activities		137.315	(175.474)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	(1.000)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed asset purchases		(2.320)	(2.960)
2.4 Fixed asset sales		357	293
2.5 Cash paid for purchase of financial assets available for sale		(688.959)	(581.909)
2.6 Cash obtained from sale of financial assets available for sale		828.730	411.595
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others		(493)	(1.493)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
III. Net cash provided by/(used in) financing activities		984.199	816.470
3.1 Cash obtained from funds borrowed and securities issued		1.077.000	878.309
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(92.801)	(61.839)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		1.125	10.036
V. Net increase / (decrease) in cash and cash equivalents		(354.591)	230.297
VI. Cash and cash equivalents at beginning of the period		913.649	1.868.915
VII. Cash and cash equivalents at end of the period		559.058	2.099.212

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

**SECTION THREE**

**ACCOUNTING POLICIES**

**I. Basis of presentation**

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

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

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

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

The amendments of TAS and TFRS, effectiveness date is 1 January 2017, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

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

**Additional paragraph for convenience translation to English**

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34” Interim Financial reporting” except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

The fixed rate Eurobond and Greenbond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognised under the statement of profit/loss. At the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

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

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

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

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2017**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

The hedging strategies for other foreign exchange risk exposures:

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

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

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

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

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

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

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

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

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

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



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

**VII. Explanations on financial assets**

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

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

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

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

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

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

**Cash, Banks and Other Financial Institutions:**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

**Marketable Securities:**

The Group classifies its marketable securities in 3 groups:

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

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

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

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

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

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Explanations on investments in associates and subsidiaries:

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

**Loans:**

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

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

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

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

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

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

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

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

**SECTION THREE (Continued)****ACCOUNTING POLICIES (Continued)****XIII. Explanations on tangible assets**

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

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

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

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

***Investment Property***

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on leasing transactions**

*The Group as Lessor*

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

*The Group as Lesser*

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

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

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

*Information on contingent assets*

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**XVII. Explanations on taxation**

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

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

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

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

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

***Transfer pricing***

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

**XVIII. Additional explanations on borrowings**

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

The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method. Some of the funds issued by the Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are monitored in the income statement under the derivative financial instruments gains/losses by fair value. All other borrowing costs are recorded to the income statement at the period they are incurred.

**XIX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 2.050.000 to TL 2.400.000 by adding TL 350.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2016. The increase in paid-in capital was approved by the BRSA on 27 April 2017 and disclosed in the dated 12 June 2017 and numbered 9345 Turkish Trade Registry Gazette.

In the meeting of the General Assembly held on 24 March 2016, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The increase in paid-in capital was approved by the BRSA on 6 May 2016 and disclosed in the dated 4 July 2016 and numbered 9110 Turkish Trade Registry Gazette.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XX. Explanations on acceptances**

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

**XXI. Explanations on government incentives**

The Parent Bank does not use government incentives.

**XXII. Explanations on segment reporting**

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

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

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



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	357.940	369.437	(14.294)	713.083
Net Fees and Commission Income	11.632	(2.659)	19.784	28.757
Other Income	199	-	64.290	64.489
Other Expense	(37.220)	(56.790)	(136.507)	(230.517)
Profit Before Tax	332.551	309.988	(66.727)	575.812
Tax Provision	-	-	-	(116.267)
<b>Net Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>459.545</b>
Group's profit / loss				467.178
Non-controlling interest				(7.633)
<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	20.683.635	5.817.395	1.195.593	27.696.623
Investment in Associates and Subsidiaries	-	-	364.379	364.379
<b>Total Assets</b>	<b>20.683.635</b>	<b>5.817.395</b>	<b>1.559.972</b>	<b>28.061.002</b>
Segment Liabilities	22.477.457	829.034	1.190.199	24.496.690
Shareholders' Equity	-	-	3.564.312	3.564.312
<b>Total Liabilities</b>	<b>22.477.457</b>	<b>829.034</b>	<b>4.754.511</b>	<b>28.061.002</b>

<b>Prior Period (*)</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	248.618	330.893	(17.625)	561.886
Net Fees and Commission Income	8.161	(4.589)	14.014	17.586
Other Income	530	-	78.071	78.601
Other Expense	(51.967)	(58.856)	(113.054)	(223.877)
Profit Before Tax	205.342	267.448	(38.594)	434.196
Tax Provision	-	-	-	(84.275)
<b>Net Profit</b>				<b>349.921</b>
Group's profit / loss				354.694
Non-controlling interest				(4.773)
<b>Prior Period (**)</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	17.270.371	5.904.442	1.372.827	24.547.640
Investment in Associates and Subsidiaries	-	-	327.846	327.846
<b>Total Assets</b>	<b>17.270.371</b>	<b>5.904.442</b>	<b>1.700.673</b>	<b>24.875.486</b>
Segment Liabilities	20.066.209	544.386	1.121.838	21.732.433
Shareholders' Equity	-	-	3.143.053	3.143.053
<b>Total Liabilities</b>	<b>20.066.209</b>	<b>544.386</b>	<b>4.264.891</b>	<b>24.875.486</b>

(\*) Includes information of 30 September 2016.

(\*\*) Includes information of 31 December 2016.

**XXIII. Explanations on other matters**

None.

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**SECTION FOUR**

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

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

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As at 30 September 2017 capital adequacy ratio of Bank has been calculated as 17,42%.

	Current Period(*)	Prior Period(*)
<b>CORE EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2.400.374	2.050.374
Share premiums	428	428
Reserves	441.740	408.096
Other comprehensive income according to TAS	246.219	249.270
Profit	485.397	494.664
Current Period Profit	467.219	443.431
Prior Period Profit	18.219	51.233
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	50.628	57.969
<b>Core Equity Tier 1 Capital Before Deductions</b>	<b>3.624.786</b>	<b>3.260.801</b>
<b>Deductions from Core Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the 1 <sup>st</sup> clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	60.724	117.998
Leasehold improvements on operational leases	5.054	5.986
Goodwill (net of related tax liability)	804	603
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	1.593	1.256
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	250	250
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	19.907	19.336
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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

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**SECTION FOUR (Continued)**

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

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

Excess amount arising from deferred tax assets from temporary differences	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	
<b>Total Regulatory Adjustments to Tier I Capital</b>	<b>88.332</b>	<b>145.429</b>
<b>Core Equity Tier I Capital</b>	<b>3.536.454</b>	<b>3.115.372</b>
<b>ADDITIONAL TIER I CAPITAL</b>	-	-
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional tier i capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	599	1.239
Net deferred tax asset/liability which is not deducted from Core Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>599</b>	<b>1.239</b>
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)</b>	<b>3.535.855</b>	<b>3.114.133</b>
<b>TIER II CAPITAL</b>		
Debt instruments and the related issuance premiums defined by the BRSA	1.061.250	-
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)	194.496	177.167
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
<b>Tier II Capital Before Deductions</b>	<b>1.255.746</b>	<b>177.167</b>
<b>Deductions From Tier II Capital</b>	-	-
Direct and indirect investments of the Bank on its own Tier II Capital	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

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**SECTION FOUR (Continued)**

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

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

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>1.255.746</b>	<b>177.167</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>4.791.601</b>	<b>3.291.300</b>
<b>Deductions from Total Capital</b>		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	369
Other items to be defined by the BRSA	-	-
<b>Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period</b>	-	-
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	4.977	12.891
<b>CAPITAL</b>		
Total Capital	4.786.624	3.278.040
Total Risk Weighted Assets	27.475.891	22.507.376
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	12,87	13,84
Tier I Capital Adequacy Ratio (%)	12,87	13,84
Capital Adequacy Ratio (%)	17,42	14,56
<b>BUFFERS</b>		
Total buffer requirement (%)	1,254	0,63
Capital conservation buffer requirement (%)	1,25	0,63
Bank specific counter-cyclical buffer requirement (%)	0,004	0,002
Systematic significant buffer (%)	-	-
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	8,37	6,63
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	-	-
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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**SECTION FOUR (Continued)**

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

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

<b>Limits Related to Provisions Considered in Tier II Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	194.496	177.167
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	194.496	177.167
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4</b> <b>(to be implemented between 1 January, 2018 and 1 January, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) There are no differences between the figures in the consolidated own funds and their corresponding amounts in the balance sheet. Under this heading, total amounts which will be reached at the end of the transition process by the items exposed to gradual transition in accordance with the "Regulation on Equities of Banks", which was enacted on 1/1/2014.

**Explanations on the reconciliation between amounts related to equity items and on balance sheet**

There are no difference between the amounts related to equity items and on balance sheet figures.

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**SECTION FOUR (Continued)**

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

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

**Details on Subordinated Liabilities:**

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominiqué on Subordinated Liabilities of CMB numbered CMB-II-31.1, SEC, Turkish Law
<b>Regulatory Treatment</b>	
Transitional Basel III rules	No
Eligible at stand-alone / consolidated	Stand-alone - Consolidated
Instrument type (Types to be specified by each jurisdiction)	secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date- Million USD )	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Loans
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	After 5th year
Subsequent call dates, if applicable	After 5th year only for once
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	%7,625
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seem in case of default
If write-down, full or partial	Full or partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

## SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT  
(Continued)

## II. Explanations related to consolidated currency risk

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

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

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

	1 US Dollar	1 Euro
<b>The Parent Bank's "Foreign Exchange Valuation Rate"</b>		
30 September 2017	3,5375	4,1651
<b>Prior Five Workdays:</b>		
29 September 2017	3,5375	4,1651
28 September 2017	3,5650	4,1785
27 September 2017	3,5200	4,1455
26 September 2017	3,5175	4,1455
25 September 2017	3,4725	4,1430

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 3,4422 and 4,1023; respectively.



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**SECTION FOUR (Continued)**

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

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

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

Current Period	Euro	US Dollar	Other FC	Total
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	291.333	485.815	97.660	874.808
Banks	220.595	54.044	1.477	276.116
Financial Assets at Fair Value Through Profit and Loss (1)	29.110	30.864	1.117	61.091
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	48.720	934.541	-	983.261
Loans (2)	8.344.815	10.247.898	-	18.592.713
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	183.487	-	183.487
Derivative Financial Assets for Hedging Purposes	-	8.430	-	8.430
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	69.188	124.809	-	193.997
<b>Total Assets</b>	<b>9.003.761</b>	<b>12.069.888</b>	<b>100.254</b>	<b>21.173.903</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	75.233	206.813	-	282.046
Funds Provided From Other Financial Institutions	8.385.723	8.732.406	-	17.118.129
Marketable Securities Issued(4)	-	4.647.344	-	4.647.344
Miscellaneous Payables (5)	7.683	66.473	160	74.316
Derivative Financial Liabilities for Hedging Purposes	-	37.194	-	37.194
Other Liabilities (6)	26.808	35.561	2.194	64.563
<b>Total Liabilities</b>	<b>8.495.447</b>	<b>13.725.791</b>	<b>2.354</b>	<b>22.223.592</b>
<b>Net Balance Sheet Position</b>	<b>508.314</b>	<b>(1.655.903)</b>	<b>97.900</b>	<b>(1.049.689)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(749.603)</b>	<b>1.674.974</b>	<b>(98.789)</b>	<b>826.582</b>
Financial Derivative Assets	960.911	3.890.237	146.146	4.997.294
Financial Derivative Liabilities	(1.710.514)	(2.215.263)	(244.935)	(4.170.712)
Non-Cash Loans (7)	925.882	1.052.293	26.405	2.004.580
<b>Prior Period</b>				
Total Assets	7.458.950	11.238.541	122.155	18.819.646
Total Liabilities	7.363.483	12.343.057	2.801	19.709.341
<b>Net Balance Sheet Position</b>	<b>95.467</b>	<b>(1.104.516)</b>	<b>119.354</b>	<b>(889.695)</b>
<b>Net Off -Balance Sheet Position</b>	<b>(286.350)</b>	<b>1.052.712</b>	<b>(118.621)</b>	<b>647.741</b>
Financial Derivative Assets	1.418.329	3.491.955	134.472	5.044.756
Financial Derivative Liabilities	(1.704.679)	(2.439.243)	(253.093)	(4.397.015)
Non-Cash Loans (7)	714.093	730.990	13.677	1.458.760

(1) Exchange rate differences arising from derivative transactions amounting to TL 60.526 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(2) Loans include TL 1.736.255 foreign currency indexed loans.

(3) Prepaid expenses amounting to TL 684 and forward foreign exchange purchase transaction rediscounts amounting to TL 3 have not been included in "Other Assets".

(4) In balance sheet, secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges are contained.

(5) Forward foreign exchange purchase transaction rediscounts amounting to TL 52 have not been included in "Miscellaneous Payables".

(6) Marketable securities valuation decrease fund amounting to TL 19.066 and exchange rate differences arising from derivative transactions amounting to TL 55.947 have not been included in "Other Liabilities". Borrower funds amounting TL 24.654 based on foreign currencies have been included in "Other Liabilities".

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

**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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**SECTION FOUR (Continued)**

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing (1)	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	517.865	-	-	-	-	389.019	906.884
Banks	295.783	50.319	-	-	-	44.683	390.785
Financial Assets at Fair Value Through Profit and Loss	64.195	122.198	78.661	42.766	2.338	587	310.745
Money Market Placements	136.205	-	-	-	-	-	136.205
Available-for-Sale Financial Assets	455.980	368.483	472.660	923.315	718.075	63.926	3.002.439
Loans	2.440.336	7.408.824	7.063.529	3.156.030	653.397	-	20.722.116
Held-to-Maturity Investments	-	392.661	878.269	-	183.487	-	1.454.417
Other Assets	-	1.582	11.996	31.850	7.609	1.084.374	1.137.411
<b>Total Assets</b>	<b>3.910.364</b>	<b>8.344.067</b>	<b>8.505.115</b>	<b>4.153.961</b>	<b>1.564.906</b>	<b>1.582.589</b>	<b>28.061.002</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.673.704	81	-	-	-	-	1.673.785
Miscellaneous Payables	-	-	-	-	-	73.890	73.890
Marketable Securities Issued(2)	-	-	-	3.574.572	1.072.772	-	4.647.344
Funds Provided from Other Financial Institutions	1.142.660	6.013.220	5.961.198	2.077.521	2.155.134	-	17.349.733
Other Liabilities(3)	64.822	132.251	70.602	17.483	-	4.031.092	4.316.250
<b>Total Liabilities</b>	<b>2.881.186</b>	<b>6.145.552</b>	<b>6.031.800</b>	<b>5.669.576</b>	<b>3.227.906</b>	<b>4.104.982</b>	<b>28.061.002</b>
<b>Balance Sheet Long Position</b>	<b>1.029.178</b>	<b>2.198.515</b>	<b>2.473.315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.701.008</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.515.615)</b>	<b>(1.663.000)</b>	<b>(2.522.393)</b>	<b>(5.701.008)</b>
<b>Off-Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.598.793</b>	<b>389.125</b>	<b>-</b>	<b>4.987.918</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2.437.320)</b>	<b>(1.046.434)</b>	<b>(1.445.618)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4.929.372)</b>
<b>Total Position</b>	<b>(1.408.142)</b>	<b>1.152.081</b>	<b>1.027.697</b>	<b>3.083.178</b>	<b>(1.273.875)</b>	<b>(2.522.393)</b>	<b>58.546</b>

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

(2) In balance sheet, secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges are contained.

(3) Borrower funds amounting to TL 28.102 are presented in "Other Liabilities" within 1-month maturity column.

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

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**SECTION FOUR (Continued)**

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

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

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

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	413.451	-	-	-	-	364.625	778.076
Banks	465.969	11.133	-	-	-	20.847	497.949
Financial Assets at Fair Value Through Profit and Loss	53.716	92.777	135.422	67.326	34.413	3.383	387.037
Money Market Placements	191.973	62.961	-	-	-	-	254.934
Available-for-Sale Financial Assets	333.011	288.125	844.154	890.502	665.957	46.663	3.068.412
Loans	1.992.927	5.644.313	6.538.267	2.632.395	528.143	-	17.336.045
Held-to-Maturity Investments	180.460	645.935	362.595	-	186.739	-	1.375.729
Other Assets	-	272	1.295	1.949	548	1.173.240	1.177.304
<b>Total Assets</b>	<b>3.631.507</b>	<b>6.745.516</b>	<b>7.881.733</b>	<b>3.592.172</b>	<b>1.415.800</b>	<b>1.608.758</b>	<b>24.875.486</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.256.160	74	-	-	-	-	1.256.234
Miscellaneous Payables	-	-	-	-	-	96.871	96.871
Marketable Securities Issued	-	-	-	3.486.732	-	-	3.486.732
Funds Provided from Other Financial Institutions	3.595.439	5.563.880	3.350.968	1.573.342	2.043.867	-	16.127.496
Other Liabilities (2)	35.138	98.963	174.741	64.075	4.630	3.530.606	3.908.153
<b>Total Liabilities</b>	<b>4.886.737</b>	<b>5.662.917</b>	<b>3.525.709</b>	<b>5.124.149</b>	<b>2.048.497</b>	<b>3.627.477</b>	<b>24.875.486</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>1.082.599</b>	<b>4.356.024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.438.623</b>
<b>Balance Sheet Short Position</b>	<b>(1.255.230)</b>	<b>-</b>	<b>-</b>	<b>(1.531.977)</b>	<b>(632.697)</b>	<b>(2.018.719)</b>	<b>(5.438.623)</b>
<b>Off-Balance Sheet Long Position</b>	<b>-</b>	<b>14.267</b>	<b>-</b>	<b>18.604</b>	<b>228.421</b>	<b>-</b>	<b>261.292</b>
<b>Off-Balance Sheet Short Position</b>	<b>(62.216)</b>	<b>-</b>	<b>(140.032)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(202.248)</b>
<b>Total Position</b>	<b>(1.317.446)</b>	<b>1.096.866</b>	<b>4.215.992</b>	<b>(1.513.373)</b>	<b>(404.276)</b>	<b>(2.018.719)</b>	<b>59.044</b>

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

(2) Borrower funds amounting to TL 18.469 are presented in "Other Liabilities" within 1-month maturity column.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FOUR (Continued)**

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

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

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

	Euro	US Dollar	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	0,10	-	2,61
Banks	2,36	4,15	-	14,55
Financial Assets at Fair Value Through Profit and Loss	-	5,33	-	11,81
Money Market Placements	-	-	-	12,27
Available-for-Sale Financial Assets	5,59	4,67	-	11,48
Loans	3,95	5,89	-	14,39
Held-to-Maturity Investments	-	6,00	-	11,02
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,25	1,02	-	12,20
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued(*)	-	5,71	-	-
Borrower Funds	0,25	0,50	-	7,00
Funds Provided From Other Financial Institutions	1,01	2,30	-	9,50

(\*) In balance sheet, secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges are contained.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	295.576	-	295.576
Quoted	295.576	-	295.576

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	276.903	-	226.279
Quoted	276.903	-	226.279

## SECTION FOUR (Continued)

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

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

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

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

Current Period	Realized 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	-	-	-	(654)	(654)	-
Other Share Certificates	-	10.284	10.284	-	-	-
<b>Total</b>	-	<b>10.284</b>	<b>10.284</b>	<b>(654)</b>	<b>(654)</b>	-

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

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

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



**SECTION FOUR (Continued)**

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

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

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

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

The Parent Bank's risk capacity for liquidity risk is determined by The Parent Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. As per The Regulation on The Calculation of Liquidity Coverage Ratio, minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits while the implementation process is identified by BRSA as setting the limits respectively as 60% and 40% for 2015 and increasing 10 pts per year until 2019 whereas applying this limit as zero per cent for development and investment banks until 1 January 2018.

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

Regarding it's risk appetite, in addition to legal limits, the Parent Bank also applies internal limits for monitoring and controlling the liquidity risk. In this context, it is limited by minimum 25% for the ratio of cash inflow to cash outflow, and by minimum 20% for the ratio of the difference between total inflow and total outflow to total asset within three months' term. It is determined the base limit as 15% for Liquidity ratio (Liquid Asset/ Total Asset). In addition, an internal limit of 110% was set above the legal limit of 10% for the total liquidity adequacy ratios for the weekly and monthly maturity brackets.

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

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

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

**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

**SECTION FOUR (Continued)**

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

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

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

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

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

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

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

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

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

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

**SECTION FOUR (Continued)**

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

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

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

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

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

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

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**SECTION FOUR (Continued)**

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

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

**2. Consolidated Liquidity Coverage Ratio**

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

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets			1.520.636	842.372
<b>CASH OUTFLOWS</b>				
2 Retail and Customers Deposits	45	9	14	3
3 Stable deposits	-	-	-	-
4 Less stable deposits	45	9	14	3
5 Unsecured Funding other than Retail and Small Business Customers Deposits	1.619.387	582.361	1.237.691	417.147
6 Operational deposits	37.435	33.522	9.358	8.381
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.581.952	548.839	1.228.333	408.766
9 Secured funding	-	-	-	-
10 Other Cash Outflows	2.020.396	1.212.800	2.020.396	1.212.800
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.020.396	1.212.800	2.020.396	1.212.800
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	5.830.906	4.254.961	291.545	212.748
15 Other irrevocable or conditionally revocable commitments	7.834.209	5.178.274	1.446.268	668.027
16 <b>TOTAL CASH OUTFLOWS</b>			<b>4.995.914</b>	<b>2.510.725</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	171	-	-	-
18 Unsecured Lending Transactions	2.458.562	652.748	2.112.882	530.768
19 Other contractual cash inflows	2.027.667	1.526.167	2.027.667	1.526.167
20 <b>TOTAL CASH INFLOWS</b>	<b>4.486.400</b>	<b>2.178.915</b>	<b>4.140.549</b>	<b>2.056.935</b>
			Upper Limit Applied Amounts	
21 <b>TOTAL HQLA STOCK</b>			<b>1.520.636</b>	<b>842.372</b>
22 <b>TOTAL NET CASH OUTFLOWS</b>			<b>1.248.978</b>	<b>627.681</b>
23 <b>Liquidity Coverage Ratio (%)</b>			<b>122</b>	<b>134</b>

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**SECTION FOUR (Continued)**

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

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

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

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

**SECTION FOUR (Continued)**

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

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

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

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

Borrowing Securities that mainly comprised of government securities and Required Reserves are major components of High Quality Liquid Assets that affect unconsolidated Liquidity Coverage Ratio essentially. Regulation on the Amendment of "the Regulation on the Amendment of the Regulation on the Calculation of the Liquidity Covered Rate of Banks" published in the Official Gazette dated 15/08/2017 and numbered 30155 and the rate of consideration applied to the "Required Reserves" held in the Central Bank of the Republic of Turkey is increased from 50% to 100%. In line with market conditions and the decisions of the Bank's Treasury Department, the weight of TL and FC Borrowing Instruments items in Borrowing Instruments can change periodically.

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

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

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

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 64% while 86% 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 24% and alternative funding sources such as repo and syndication loans are also available.

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

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

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

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

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

None.

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

None.



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**SECTION FOUR (Continued)**

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	389.019	517.865	-	-	-	-	-	906.884
Banks	44.683	295.783	50.319	-	-	-	-	390.785
Financial Assets at Fair Value Through Profit and Loss	588	22.032	22.642	58.077	136.055	71.351	-	310.745
Money Market Placements	-	136.205	-	-	-	-	-	136.205
Financial Assets Available-for-Sale	-	11.916	28.462	445.517	1.734.543	718.075	63.926	3.002.439
Loans	-	571.282	1.426.050	4.650.283	9.380.520	4.693.981	-	20.722.116
Held-to-Maturity Investments	-	-	-	-	625.192	829.225	-	1.454.417
Other Assets	-	-	1.582	3.566	39.886	8.003	1.084.374	1.137.411
<b>Total Assets</b>	<b>434.290</b>	<b>1.555.083</b>	<b>1.529.055</b>	<b>5.157.443</b>	<b>11.916.196</b>	<b>6.320.635</b>	<b>1.148.300</b>	<b>28.061.002</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	212.113	430.392	2.621.404	7.018.488	7.067.336	-	17.349.733
Money Market Borrowings	-	1.673.704	81	-	-	-	-	1.673.785
Securities Issued(2)	-	-	-	-	3.574.572	1.072.772	-	4.647.344
Miscellaneous Payables	-	-	-	-	-	-	73.890	73.890
Other Liabilities (3)	-	45.618	22.956	52.035	114.169	50.380	4.031.092	4.316.250
<b>Total Liabilities</b>	<b>-</b>	<b>1.931.435</b>	<b>453.429</b>	<b>2.673.439</b>	<b>10.707.229</b>	<b>8.190.488</b>	<b>4.104.982</b>	<b>28.061.002</b>
<b>Liquidity Gap</b>	<b>434.290</b>	<b>(376.352)</b>	<b>1.075.626</b>	<b>2.484.004</b>	<b>1.208.967</b>	<b>(1.869.853)</b>	<b>(2.956.682)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>3.500</b>	<b>686</b>	<b>496</b>	<b>50.043</b>	<b>1.623</b>	<b>-</b>	<b>56.348</b>
Financial Derivative Assets	-	2.417.186	1.223.270	2.158.033	8.284.282	4.593.824	-	18.676.595
Financial Derivative Liabilities	-	2.413.686	1.222.584	2.157.537	8.234.239	4.592.201	-	18.620.247
Non-cash Loans (4)	-	18.583	138.369	1.006.081	610.948	739.605	44.131	2.557.717
<b>Prior Period</b>								
Total Assets	388.855	1.823.493	1.399.104	3.620.305	9.889.301	6.534.525	1.219.903	24.875.486
Total Liabilities	-	1.505.615	310.523	2.272.667	10.179.329	6.979.875	3.627.477	24.875.486
<b>Liquidity Gap</b>	<b>388.855</b>	<b>317.878</b>	<b>1.088.581</b>	<b>1.347.638</b>	<b>(290.028)</b>	<b>(445.350)</b>	<b>(2.407.574)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>7.762</b>	<b>399</b>	<b>782</b>	<b>38.040</b>	<b>12.062</b>	<b>-</b>	<b>59.045</b>
Financial Derivative Assets	-	1.694.093	1.573.087	2.916.888	6.827.177	4.106.192	-	17.117.437
Financial Derivative Liabilities	-	1.686.331	1.572.688	2.916.106	6.789.137	4.094.130	-	17.058.392
Non-cash Loans (4)	-	21.227	5.182	33.578	551.991	508.482	548.748	1.669.208

(1) Investments in subsidiaries and associates, entities under common control, tangible and intangible assets, investment properties, tax asset, Other assets and shareholders' equity, provisions, other miscellaneous liabilities and tax liability, are classified under "Undistributed" column in order to reconcile the total assets and liabilities on the balance sheet.

(2) In balance sheet, secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges are contained.

(3) Borrower funds amounting to TL 28.102 are presented in "Other Liabilities" within 1-month maturity column.

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

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**SECTION FOUR (Continued)**

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

**VI. Explanations related to consolidated leverage ratio**

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

As of 30 September 2017, leverage ratio of the Group calculated from the arithmetic average of the three months is 10.22% . Leverage ratio is almost on the same level in the current and prior period.

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

		Current Period	Prior Period
1	Total assets in the consolidated financial statements prepared in accordance with TAS (**)	26.728.069	22.546.046
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks (**)	(13.814)	(3.224)
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures(*)	(290.436)	(157.005)
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures(*)	2.154.317	2.297.925
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures(*)	(3.108.711)	(3.174.771)
6	Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures(*)	-	-
7	Total Risk(*)	34.136.679	29.431.796

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

(\*\*)The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks. 30 June 2017 figures used in this table due to the current period and 31 December 2016 for prior period consolidated financial statements prepared in accordance with TAS are not audited as of the date of this report.

**c) Consolidated Leverage Ratio**

		Current Period(*)	Prior Period(*)
	<b>Balance sheet Assets</b>		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	28.389.691	24.963.768
2	(Assets deducted from Core capital)	(88.217)	(122.235)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	28.301.474	24.841.533
	<b>Derivative financial assets and credit derivatives</b>		
4	Cost of replenishment for derivative financial assets and credit derivatives	325.837	309.871
5	Potential credit risk amount of derivative financial assets and credit derivatives	252.408	221.170
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	578.245	531.041
	<b>Financing transactions secured by marketable security or commodity</b>		
7	Risk amount of financing transactions secured by marketable security or commodity	489.956	346.184
8	Risk amount arising from intermediary transactions	85.201	38.688
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	575.157	384.872
	<b>Off-balance sheet transactions</b>		
10	Gross notional amount of off-balance sheet transactions	7.790.159	6.849.121
11	(Correction amount due to multiplication with credit conversion rates)	(3.108.711)	(3.174.771)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	4.681.448	3.674.350
	<b>Capital and total risk</b>		
13	Core Capital	3.488.098	3.093.277
14	Total risk amount (sum of lines 3, 6, 9 and 12)	34.136.324	29.431.796
	<b>Leverage ratio</b>		
15	Leverage ratio	10,22%	10,51%

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

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**SECTION FOUR (Continued)**

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

**VII. Explanations on Consolidated Risk Management**

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette No. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué the tables stated below have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, in accordance with the related communiqué, inherent model-based tables have not been represented.

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	24.981.675	19.834.989	1.998.535
2	Standardised approach	24.981.675	19.834.989	1.998.535
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	777.983	695.368	62.237
5	Standardised approach for counterparty credit risk	777.983	695.368	62.237
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	463.663	863.475	37.093
17	Standardised approach	463.663	863.475	37.093
18	Internal model approaches	-	-	-
19	Operational risk	1.252.570	1.113.544	100.206
20	Basic indicator approach	1.252.570	1.113.544	100.206
21	Standart approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>27.475.891</b>	<b>22.507.376</b>	<b>2.198.071</b>

## SECTION FIVE

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	25	-	29	-
Balances with the Central Bank of Turkey	32.051	874.808	161.276	616.771
Other	-	-	-	-
<b>Total</b>	<b>32.076</b>	<b>874.808</b>	<b>161.305</b>	<b>616.771</b>

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	32.051	4.519	161.276	3.995
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	870.289	-	612.776
<b>Total</b>	<b>32.051</b>	<b>874.808</b>	<b>161.276</b>	<b>616.771</b>

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

As per the Communiqué numbered 2005/1 “Reserve Deposits” of Central Bank of Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-days periods. In accordance with the related communiqué, no interest is paid for reserve requirements. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

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

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 30 June 2017 are presented in table below:

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

Reserve Rates for FC Liabilities (%)		
Original Maturity	Reserve Ratio	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 CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

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

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

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

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

As of the reporting date, the Group's trading securities given as collateral or blockage amounted to TL 1.046 (31 December 2016: TL 1.298).

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

As of the reporting date, the Group has no trading securities subject to repurchase agreements (31 December 2016: None).

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

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage (31 December 2016: None).

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2016: None).

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

Derivative Instruments Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	19.777	562	13.290	8.819
Swap Transactions	146.415	86.991	113.508	112.792
Futures Transactions	-	-	-	-
Options	-	34.064	-	125.627
Other	-	-	-	-
<b>Total</b>	<b>166.192</b>	<b>121.617</b>	<b>126.798</b>	<b>247.238</b>

Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TL denominated fixed rate assets. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. As of 30 September 2017, the fair value of such swaps is TL 84.956 with a total outstanding notional amount of USD 200 million. The average maturity of such swaps range between 2020 and 2022 years.

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**SECTION FIVE (Continued)**

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

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

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

**3.a Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	114.669	247.169	60.098	376.443
Foreign	-	28.947	15.010	46.398
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>114.669</b>	<b>276.116</b>	<b>75.108</b>	<b>422.841</b>

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	18.228	-	111.173	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	214.079	-	101.682
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>18.228</b>	<b>214.079</b>	<b>111.173</b>	<b>101.682</b>

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

All financial assets available for sale given as collateral comprise of financial assets are issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.328.613 (31 December 2016: TL 1.252.789).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	583.936	744.677	497.581	755.208
Other	-	-	-	-
<b>Total</b>	<b>583.936</b>	<b>744.677</b>	<b>497.581</b>	<b>755.208</b>

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

Available for sale financial assets comprised of government bonds 59,51%, Eurobonds 31,95% and shares and other securities 8,54% (31 December 2016: government bonds 59,38%, Eurobonds 31,52% and shares and other securities 11,70%).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE INTERIM PERIOD 1 JANUARY-30 SEPTEMBER 2017**

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****4. Information on available-for-sale financial assets (continued)****4.c Information on available-for-sale financial assets available-for-sale:**

	Current Period	Prior Period
Debt securities	2.973.824	3.096.626
Quoted on a stock exchange	2.001.296	2.040.539
Unquoted	972.528	1.056.087
Share certificates	64.666	53.695
Quoted on a stock exchange	12.753	11.834
Unquoted	51.913	41.861
Impairment provision(-)	(36.051)	(81.909)
<b>Total</b>	<b>3.002.439</b>	<b>3.068.412</b>

The net book value of unquoted available for sale share certificates is TL 54.121 (31 December 2016: TL 35.882).

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	62.600	-	21.131	-
Corporate shareholders	62.600	-	21.131	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	168	-	217	-
<b>Total</b>	<b>62.768</b>	<b>-</b>	<b>21.348</b>	<b>-</b>

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

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**SECTION FIVE (Continued)**

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

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

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

**5.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	Amendments on Conditions of Contract		Loans and Other Receivables	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Cash Loans						
Non-specialized loans	20.469.672	48.085	-	169.356	136.823	-
Corporation loans	7.150.983	-	-	9.210	9.210	-
Export loans	188.574	-	-	46.151	46.151	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.388.067	-	-	-	-	-
Consumer loans	168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	10.741.880	48.085	-	113.995	81.462	-
Specialized loans	-	-	-	-	-	-
Other receivables	83.088	-	-	-	-	-
<b>Total</b>	<b>20.552.760</b>	<b>48.085</b>	<b>-</b>	<b>169.356</b>	<b>136.823</b>	<b>-</b>

The syndicated loans granted to a company amounting to USD 70.724.223 are classified under "Performing Loans and Other Receivables" as of 30 September 2017. Discussions between creditor banks and related sovereign institutions are proceeding regarding restructuring of loans granted and a positive outcome of these discussions is expected.



## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

## 5. Explanations on loans (continued)

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

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

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

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

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

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

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

<b>Current Period</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
<b>Number of amendments related to the extension of the payment plan</b>		
Extended for 1 or 2 times	48.085	134.630
Extended for 3-4 or 5 times	-	2.193
Extended for more than 5 times	-	-

<b>Prior Period</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
<b>Number of amendments related to the extension of the payment plan</b>		
Extended for 1 or 2 times	49.896	139.419
Extended for 3-4 or 5 times	-	3.349
Extended for more than 5 times	-	-

<b>Current Period</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
<b>The time extended via the amendment on payment plan</b>		
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	26.745
2-5 Years	48.085	91.127
5 Years and Over	-	18.951

<b>Prior Period</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
<b>The time extended via the amendment on payment plan</b>		
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	32.789
2-5 Years	49.896	95.327
5 Years and Over	-	14.652

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

## 5. Explanations on loans (continued)

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

Current Period	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
Short-term loans and other receivables	1.491.141	-	46.151	46.151
Non-specialized loans	1.408.053	-	46.151	46.151
Specialized loans	-	-	-	-
Other receivables	83.088	-	-	-
Medium and Long-term loans	19.061.619	48.085	123.205	90.672
Non-specialized loans	19.061.619	48.085	123.205	90.672
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	662.731	-	44.994	44.994
Non-specialized loans	593.265	-	44.994	44.994
Specialized loans	-	-	-	-
Other receivables	69.466	-	-	-
Medium and Long-term loans	16.478.202	49.896	150.118	100.104
Non-specialized loans	16.478.202	49.896	150.118	100.104
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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

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**SECTION FIVE (Continued)**

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

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

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

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	13	155	168
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	13	155	168
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>13</b>	<b>155</b>	<b>168</b>

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

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**SECTION FIVE (Continued)**

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

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

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

**5.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	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)	-	-	-
<b>Total</b>	<b>18</b>	<b>199</b>	<b>217</b>

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

## 5. Explanations on loans (continued)

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

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2016: None).

## 5.f Loans according to borrowers:

	Current Period	Prior Period
Public	671.376	125.356
Private	20.050.740	17.210.689
<b>Total</b>	<b>20.722.116</b>	<b>17.336.045</b>

## 5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	20.650.153	17.263.913
Foreign Loans	71.963	72.132
<b>Total</b>	<b>20.722.116</b>	<b>17.336.045</b>

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

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	199.925	294.292
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>199.925</b>	<b>294.292</b>

## 5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	1.167	3.092
Loans and receivables with doubtful collectability	4.894	-
Uncollectible loans and receivables	50.426	48.523
<b>Total</b>	<b>56.487</b>	<b>51.615</b>

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

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

## 5. Explanations on loans (continued)

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

## 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
<b>Current Period</b>			
(Gross amounts before provisions)	-	-	10.708
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.708
<b>Prior Period</b>			
(Gross amounts before provisions)	-	-	10.707
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.707

## 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
<b>Current Period</b>			
<b>Prior Period End Balance</b>	3.092	-	48.523
Additions (+)	4.895	1	813
Transfers from Other Categories of Non-performing Loans (+)	-	6.621	1.728
Transfers to Other Categories of Non-performing Loans (-)	(6.621)	(1.728)	-
Collections (-)	(199)	-	(638)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	1.167	4.894	50.426
Specific Provisions (-)	(1.167)	(4.894)	(50.426)
<b>Net Balance on Balance Sheet</b>	-	-	-

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

## 5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Prior Period</b>			
<b>Prior Period End Balance</b>	<b>3.603</b>	-	<b>57.414</b>
Additions (+)	20	-	3.546
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-)	(531)	-	(12.422)
Write-offs (-)	-	-	(15)
Corporate and Commercial Loans	-	-	(15)
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	<b>3.092</b>	-	<b>48.523</b>
Specific Provisions (-)	(3.092)	-	(48.523)
<b>Net Balance on Balance Sheet</b>	-	-	-

## 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
<b>Current Period</b>			
<b>Period End Balance</b>	<b>1.164</b>	-	-
Specific Provision (-)	(1.164)	-	-
<b>Net Balance on Balance Sheet</b>	-	-	-
<b>Prior Period</b>			
<b>Period End Balance</b>	<b>1.362</b>	-	-
Specific Provision (-)	(1.362)	-	-
<b>Net Balance on Balance Sheet</b>	-	-	-



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**SECTION FIVE (Continued)**

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

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	1.167	4.894	49.029
Specific Provision Amount (-)	(1.167)	(4.894)	(49.029)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1.397
Specific Provision Amount (-)	-	-	(1.397)
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	3.092	-	47.236
Loans to Real Persons and Legal Entities (Gross)	(3.092)	-	(47.236)
Specific Provision Amount (-)	-	-	-
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	1.287
Other Loans and Receivables (Gross)	-	-	(1.287)
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

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

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

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	180.657	-	186.736
Subject to Repurchase Agreements	822.714	-	129.784	-
<b>Total</b>	<b>822.714</b>	<b>180.657</b>	<b>129.784</b>	<b>186.736</b>

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

	Current Period	Prior Period
Government Bonds	1.454.417	1.375.729
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>1.454.417</b>	<b>1.375.729</b>

## 6.3 Information on held-to-maturity investments

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted on a Stock Exchange	1.270.930	1.188.990
Not Quoted	187.516	186.739
<b>Impairment provision (-)</b>	<b>(4.029)</b>	<b>-</b>
<b>Total</b>	<b>1.454.417</b>	<b>1.375.729</b>

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

	Current Period	Prior Period
<b>Balance at Beginning of the Period</b>	<b>1.375.729</b>	<b>872.602</b>
Foreign Currency Differences on Monetary Assets	2.518	31.581
Purchases During The Period (*)	-	417.241
Disposals Through Sales And Redemptions	(838)	(1.597)
Impairment Provision	(4.029)	-
Interest Income Accruals	81.037	55.902
<b>Balance at End of Period</b>	<b>1.454.417</b>	<b>1.375.729</b>

(\*) The Parent Bank reclassified "Government Bond with CPI Index" with a nominal value of TL 339.321 from available-for-sale to held-to-maturity portfolio in the prior period.

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## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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

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

Unconsolidated non-financial associates are valued at cost.

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

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (*)	16.292	3.030	197	-	-	(166)	21	-
2	Ege Tarım	11.355	10.506	8.639	79	-	(677)	(412)	-

(\*) Represents for the period ended 30 June 2017 financial statements. Prior year profit/loss is obtained from 30 June 2016 financial statements.

*Information on associates disposed in the current period*

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

*Information on associates purchased in the current period*

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

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

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,38
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,84

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**SECTION FIVE (Continued)**

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

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

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.554.970	167.112	1.189	215.262	-	32.945	24.418	-
2	İş Finansal	4.884.409	820.506	16.577	263.410	-	60.160	61.417	242.187
3	İş Girişim	260.084	258.223	54	5.844	2.515	2.161	3.497	21.425

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>322.922</b>	<b>291.988</b>
Movements During the Period	36.533	30.934
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	32.619	38.805
Sales	-	-
Revaluation Increase	3.914	-
Provision for Impairment	-	(7.871)
<b>Balance at the End of the Period</b>	<b>359.455</b>	<b>322.922</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

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

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

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	73.684	56.801
Leasing Companies	241.721	222.466
Financial Service Companies	-	-
Other Financial Associates	44.050	43.655

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**SECTION FIVE (Continued)**

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

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

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

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

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	285.771	266.121
Associates Quoted on Foreign Stock Markets	-	-

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

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

	YF (*)	TSKB GYO (*)
	Current Period	Current Period
<b>CORE CAPITAL</b>		
Paid-in Capital	63.366	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	6.956	(29)
Current and Prior Years' Profit / Loss	7.119	10.360
Leasehold Improvements (-)	(489)	-
Intangible Assets (-)	(960)	(13)
<b>Total Core Capital</b>	<b>78.506</b>	<b>169.698</b>
<b>Supplementary Capital</b>	-	-
<b>Capital</b>	-	-
<b>Net Available Capital</b>	<b>78.506</b>	<b>169.698</b>

(\*) The information is obtained from financial statements subject to consolidation as of 30 September 2017.

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

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

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

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

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

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

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

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No. 6102.

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

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

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

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

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

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	18.387	14.980	1.207	881	-	2.112	3.206	-
2	SD A.Ş.	672	560	11	96	-	(755)	(422)	-

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

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

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****8. Information related to subsidiaries (net) (continued)****8.a.4 Information related to consolidated subsidiaries:**

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

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (*)	1.066.141	80.105	1.540	35.490	646	7.119	(3.131)	-
TSKB GYO (*)	429.270	169.710	392	264	-	(28.458)	(16.647)	72.659

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

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>127.984</b>	<b>122.320</b>
Movements During the Period	14.780	5.664
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	14.780	5.664
Provision for Impairment	-	-
<b>Balance At the End of the Period</b>	<b>142.764</b>	<b>127.984</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

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

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

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

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

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	142.764	127.984

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## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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

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

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	88.862	57.879
Quoted in Foreign Stock Exchange	-	-

## 9. Information related to entities under common control

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

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

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

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	12.028	(8.755)	10.635	-	-	(1.732)	(1.821)	
Anavarza Hotelier Corporation	2.972	73	157	19	-	(69)	(864)	

## 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	7.411	6.412	1.552	1.367
Between 1- 4 years	27.647	23.622	1.704	1.455
More than 4 years	17.229	14.573	1.137	970
Total	52.287	44.607	4.393	3.792

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

	Current Period	Prior Period
Gross investments in finance leases	52.287	4.393
Unearned revenue from finance leases (-)	(7.680)	(601)
Cancelled finance leases (-)	-	-
Net investments in finance leases	44.607	3.792



## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

- 10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement: Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	8.430	-	272
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	-	<b>8.430</b>	-	<b>272</b>

As of 30 September 2017, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swap	9.975.750	8.430	(37.194)	7.747.800	272	(51.433)
FC	9.975.750	8.430	(37.194)	7.747.800	272	(51.433)
TL	-	-	-	-	-	-

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

Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	Fair Value of Hedging Instrument (*)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Greenbond Issued	Interest Rate Risk	19.564	-	(26.707)	(7.143)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	1.995	-	(2.405)	(410)

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

## SECTION FIVE (Continued)

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

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

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

Perior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	Fair Value of Hedging Instrument		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Greenbond Issued	Interest Rate Risk	44.374	(49.238)	-	(4.864)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	3.880	(4.378)	-	(498)

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

## 12. Information on tangible assets (net)

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

## 13. Information on intangible assets

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

## 14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 231.806 (31 December 2016: TL 231.323) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 30 September 2017 and 31 December 2016 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	23.020	-	-	-	23.020
Pendorya Mall	143.690	473	-	-	144.163
Adana Hotel Project	64.613	10	-	-	64.623
<b>Total</b>	<b>231.323</b>	<b>483</b>	<b>-</b>	<b>-</b>	<b>231.806</b>

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

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****15. Information on deferred tax assets****15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:**

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

<b>Deferred tax asset:</b>	<b>Current period</b>	<b>Prior period</b>
Loan commissions accrual adjustment	19.734	17.378
Other provisions	18.800	18.003
Marketable securities	7.088	2.149
Employee benefit provision	2.572	2.151
Valuation of derivative instruments	253	-
Other	2.201	3.848
<b>Total Deferred Tax Asset</b>	<b>50.648</b>	<b>43.529</b>
<b>Deferred tax liabilities:</b>		
Borrowings commissions accrual adjustment	(10.595)	(8.791)
Valuation of derivative instruments	(10.329)	(2.958)
Useful life difference of fixed assets	(427)	(457)
Differences between the carrying amount and tax base of assets	(17.016)	(9.494)
Others	(2.961)	(3.647)
<b>Total Deferred Tax Liability</b>	<b>(41.328)</b>	<b>(25.347)</b>
<b>Net Deferred Tax Asset</b>	<b>9.320</b>	<b>18.182</b>

**SECTION FIVE (Continued)**

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

- I. Explanations and disclosures related to the consolidated assets (continued)**
- 15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:**  
There is no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. YF has deferred tax asset amounting to TL 922 calculated from tax losses amounting to TL 4.610 (31 December 2016: TL 15.175 tax loss / TL 3.035 deferred tax asset).
- 15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:**  
There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2016: None).
- 16. Explanations on assets held for sale:**  
In the current period, the Group has no assets held for sale (31 December 2016: 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 2016: None).
- II. Explanations and disclosures related to the consolidated liabilities**
- 1. Information on maturity structure of deposits**
- 1.a.1 Maturity structure of deposits:**  
The Parent Bank is not authorized to accept deposits.
- 1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:**  
The Parent Bank is not authorized to accept deposits.
- 1.b Information on the scope whether the bank with a foreign head office suits saving deposit insurance of the related country:**  
The Parent Bank is not authorized to accept deposits.
- 1.c Saving deposits which are not under the guarantee of deposit insurance fund:**  
The Parent Bank is not authorized to accept deposits.

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**SECTION FIVE (Continued)**

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

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

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

Derivative Financial Liabilities Held For Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	19.494	520	13.094	4.779
Swap Transactions	104.512	60.231	101.915	75.382
Futures Transactions	-	-	-	-
Options	-	35.105	-	125.627
Other	-	-	-	-
<b>Total</b>	<b>124.006</b>	<b>95.856</b>	<b>115.009</b>	<b>205.788</b>

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	44.177	507.634	47.169	313.101
From Foreign Banks, Institutions and Funds	187.427	16.610.495	100.083	15.667.143
<b>Total</b>	<b>231.604</b>	<b>17.118.129</b>	<b>147.252</b>	<b>15.980.244</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	42.025	191.096	47.180	73.741
Medium and long-term	189.579	16.927.033	100.072	15.906.503
<b>Total</b>	<b>231.604</b>	<b>17.118.129</b>	<b>147.252</b>	<b>15.980.244</b>

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	3.537.500	-	3.490.000
Cost	-	3.528.702	-	3.476.185
Book Value	-	3.574.572	-	3.486.732

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

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

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2016: None).

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

## 5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2016: None).

## 5.b Explanations regarding operational leases:

As of the reporting date, 9 branches of the Group companies are subject to operational leasing. Additionally, 26 cars, 289 computers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2016: 1 head office, 11 branches and 25 cars and 160 computers are subject to operational leasing).

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

The Group has no sale and lease back transactions as of the reporting date (31 December 2016: None).

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**SECTION FIVE (Continued)**

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(37.194)	-	(51.433)
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	-	<b>(37.194)</b>	-	<b>(51.433)</b>

**7. Information on provisions**

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

	Current Period	Prior Period
<b>General Provisions</b>	<b>194.496</b>	<b>177.167</b>
I.Provisions for First Group Loans and Receivables	171.422	154.541
II.Provisions for Second Group Loans and Receivables	3.387	3.902
Provisions for Non-Cash Loans	4.296	2.714
Other	15.391	16.010

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

As of the reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 1.935 (31 December 2016: TL 247). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

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

As at the reporting date, the Bank's specific provisions provided for unindemnified non cash loan amount to TL 583 (31 December 2016: TL 583).

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

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

There is no provision for possible losses (31 December 2016: None).

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

	Current Period	Prior Period
Other Provisions (*)	96.273	90.962
<b>Total</b>	<b>96.273</b>	<b>90.962</b>

(\*) Other provisions balance includes amount to TL 94.000 for the risks related to loan portfolio, amount to TL 583 for unindemnified non cash loans (31 December 2016: TL 90.000 other provision, and TL 583 provision for non-cash loans which are not indemnified.).

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**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the consolidated liabilities (continued)****8. Information on taxes payable****8.a Information on current taxes payable****8.a.1 Information on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable	29.775	-	5.066	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>29.775</b>	<b>-</b>	<b>5.066</b>	<b>-</b>

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

	Current Period	Prior Period
Corporate Taxes Payable	29.775	5.066
Taxation of Securities	1.213	753
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	4.283	3.564
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	137	246
Other	1.864	1.742
<b>Total</b>	<b>37.272</b>	<b>11.371</b>

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

	Current Period	Prior Period
Social Security Premiums-Employee	139	121
Social Security Premiums-Employer	156	135
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	44	37
Unemployment Insurance-Employer	89	74
Other	36	41
<b>Total</b>	<b>464</b>	<b>408</b>

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

As of the reporting date, the Group has no deferred tax liability (31 December 2016: None).

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

None (31 December 2016: None).



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**SECTION FIVE (Continued)**

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

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

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

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

**11. Information on shareholders' equity**

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

	Current Period	Prior Period
Common Stock	2.400.000	2.050.000
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	2.400.000	4.500.000

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

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 2.050.000 to TL 2.400.000 by adding TL 350.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2016. The increase in paid-in capital was approved by the BRSA on 27 April 2017 and disclosed in the dated 12 June 2017 and numbered 9345 Turkish Trade Registry Gazette.

In the meeting of the General Assembly held on 24 March 2016, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The increase in paid-in capital was approved by the BRSA on 6 May 2016 and disclosed in the dated 4 July 2016 and numbered 9110 Turkish Trade Registry Gazette.

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

None (31 December 2016: None).

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

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2016: None).

## SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

## 11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2016: 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	(17.608)	-	(21.522)	-
Valuation Differences	(23.474)	19.066	(25.843)	(26.774)
Foreign Exchange Difference	6.343	-	4.243	-
<b>Total</b>	<b>(34.739)</b>	<b>19.066</b>	<b>(43.122)</b>	<b>(26.774)</b>

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

## 1. Information on off-balance sheet liabilities

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

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	244.199	78.479
Commitments for Money Market Brokerage Purchase and Sales	73.345	45.194
Commitments for Use Guaranteed Credit Allocation	-	-
Commitments for Stock Brokerage Purchase and Sales	914.033	373.763
Commitments for Letter of Credit	558.901	467.812
Capital commitments for subsidiaries and associates (*)	75.387	68.367
Commitments from Forward Short Term Borrowing and Transfers	-	-
Other	290.933	289.821
<b>Total</b>	<b>2.156.798</b>	<b>1.323.436</b>

(\*) It includes the remaining amount is the amount the Bank which is promised to buy shares with the the fund which is planned to be created by the European Investment Fund – EIF with the targeted established with the name of Turkish Growth and Innovation Fund – TGIF.

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

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

As of the reporting date, total letters of credits, surety and acceptance amount to TL 1.115.338 (31 December 2016: TL 693.817).

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**SECTION FIVE (Continued)**

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

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

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

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

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

As of the reporting date, total letters of guarantee is TL 1.442.379 (31 December 2016: TL 975.391).

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

	Current Period	Prior Period
Non-cash Loans Given Against Obtaining Cash Loans	721.771	741.804
With Maturity of One Year or Less than One Year	75.816	278.690
With Maturity of More than One Year	645.955	463.114
Other Non-Cash Loans	1.835.946	927.404
<b>Total</b>	<b>2.557.717</b>	<b>1.669.208</b>

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

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

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

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

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

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

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

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

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

There are 53 legal cases against the Group which are amounting to TL 5.083 as of the reporting date (31 December 2016: TL 7.215 - 45 legal cases).

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

**SECTION FIVE (Continued)**

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

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

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

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

A similar case has been submitted to the Constitutional Court (AYM) in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the parent Bank and an amount of TL 12.750 corresponding to the portion that the parent Bank was obliged to pay for the related period is recognised as income in the prior period. According to Law Department of the bank, other cases which are to the detriment of the bank has no significant effect on the financial statements.

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

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

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

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

**SECTION FIVE (Continued)**

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

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

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

Beyoglu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoglu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoglu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoglu Municipality approved the reclaim. However, There has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. That's why, decision was appealed by the company. The Council of State reversed the judgement based on inappropriate zoning plan changes with the decision of 28 March 2014. In addition, a new implementation development plan covering the Fındıklı Building II, which has been canceled by the judicial authorities and which is owned by TSKB GYO, is being prepared by the Municipality of Beyoğlu on December 21, 2010, the 1/1000 Scaled Beyoğlu District Protected Urban Site Protected Development Plan. For this content, TSKB GYO's application were made in writing to the Beyoğlu Municipality on 28 October 2014 in order to plan by taking into account the 1/1000 Scale Implementation Plan which is being prepared by the Municipality of Beyoğlu and the Istanbul Metropolitan Municipality. The court requested the Municipality to ask the plan including the immovable subject to the decision of the Council of State is still in force as a result of the decision of dismissal and that the plan canceled by the court in the letter sent from the Municipality is still valid answered in the form.

In the case which was started to discuss again in court; an expert opinion examination was made and found unacceptable according to declaration of TSKB. The Court then decided to cancel the plan in the demand of TSKB GYO. The decision will be waited for becoming absolute.

According to Law Department of the Bank, other cases which are to the detriment of the bank has no significant effect on the financial statements.

**5. Custodian and intermediary services**

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

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**SECTION FIVE (Continued)**

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

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

**1. Information on interest income**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	148.959	6.610	56.191	4.366
Medium and Long Term Loans	155.101	620.706	121.677	415.299
Interest on Non-performing Loans	405	87	3.853	84
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>304.465</b>	<b>627.403</b>	<b>181.721</b>	<b>419.749</b>

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (*)	3.885	-	2.540	-
Domestic Banks	43.322	5.841	15.240	4.372
Foreign Banks	986	69	78	413
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>48.193</b>	<b>5.910</b>	<b>17.858</b>	<b>4.785</b>

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1.562	1	2.414	30
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	135.912	35.891	167.490	31.032
Investments Held to Maturity	110.304	11.938	56.767	6.368
<b>Total</b>	<b>247.778</b>	<b>47.830</b>	<b>226.671</b>	<b>37.430</b>

As indicated in accounting policies, the bank evaluate its government bonds with CPI index which are in securities portfolio of the bank base on reference index at date of issue and estimated CPI index. The estimated CPI index is updated when it is seem necessary. The subjected securities is evaluated based on estimated inflation rate of 10% in respect of 30 September 2017.

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

	Current Period	Prior Period
Interest and Commission Received from Associates and Subsidiaries	14.942	6.754

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**SECTION FIVE (Continued)**

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

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

**2. Information on interest expense**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	19.976	35.637	21.535	27.882
The Central Bank of Turkey	-	-	-	-
Domestic Banks	11.904	11.419	13.152	11.301
Foreign Banks	8.072	24.218	8.383	16.581
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	2.090	180.405	1.783	131.385
<b>Total (*)</b>	<b>22.066</b>	<b>216.042</b>	<b>23.318</b>	<b>159.267</b>

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

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

There is no interest expense to its associates and subsidiaries (30 September 2016: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (*)	-	185.272	-	99.722

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

**3. Information on dividend income**

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

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

	Current period	Prior period
<b>Profit</b>	<b>1.374.133</b>	<b>937.037</b>
Gains on capital market operations	6.635	6.509
Gains on derivative financial instruments (*)	714.311	499.205
Foreign exchange gains	653.187	431.323
<b>Losses (-)</b>	<b>(1.430.640)</b>	<b>(992.674)</b>
Losses on capital market operations	(2.513)	(2.417)
Losses on derivative financial instruments (*)	(909.287)	(627.091)
Foreign exchange losses	(518.840)	(363.166)

(\*) Foreign exchange gain from derivative transactions amounting to TL 293.133 is presented in "Gains on derivative financial instruments" (30 September 2016: TL 188.153) foreign exchange loss from derivative transactions amounting to TL (482.372) is presented in "Losses on derivative financial instruments" (30 September 2016: TL (312.433))

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**SECTION FIVE (Continued)**

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

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

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

	Current Period	Prior Period
Provisions Released	837	12.952
Gains on Sale of Assets	302	232
From Associate and Subsidiary Sales	-	114
From Immovable Fixed Asset Sales	-	-
From Property Sales	244	59
From Other Asset Sales	58	59
Other (*)	8.580	8.493
<b>Total</b>	<b>9.719</b>	<b>21.677</b>

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	5.707	3.479
III. Group	-	2
IV. Group	4.894	-
V. Group	813	3.477
General provision expenses	17.329	14.951
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.922	2.307
Trading securities	-	65
Investment securities available for sale	1.922	2.242
Impairment provisions	4.031	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	4.031	-
Other (*)	4.000	15.000
<b>Total</b>	<b>32.989</b>	<b>35.737</b>

(\*) Other provision contains amounting to TL 4.000 in the current period allocated for the risks related to the loan portfolio. (Prior Period TL:15.000)



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**SECTION FIVE (Continued)**

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	76.750	69.907
Reserve for Employee Termination Benefits	1.572	1.970
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	3.853	3.625
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	595	498
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	15	15
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	24.287	25.072
Rent Expenses	2.099	3.387
Maintenance Expenses	1.279	1.136
Advertisement Expenses	823	917
Other Expenses	20.086	19.632
Loss on Sales of Assets	-	-
Other	17.220	15.438
<b>Total</b>	<b>124.292</b>	<b>116.525</b>

**8. Explanation on profit/(loss) from continued and discontinued operations before taxes**

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

**9. Explanation on provision for taxes from continuing and discontinued operations**

The amount of the Bank's current tax expense TL 117.450 (30 September 2016: TL 93.571) and consists of deferred tax income amounting TL 1.183 (30 September 2016: TL 9.296 income). The Group has no discontinued operations.

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

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

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**SECTION FIVE (Continued)**

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

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

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

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

The Group has generated TL 1.329.177 of interest income, TL , 616.094 of interest expenses, TL 28.757 of net fee and commission income from banking operations (30 September 2016: TL 1.024.982 interest income, TL 463.096 interest expenses, TL 17.586 net fee and commission income).

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

There are no changes in the accounting estimates.

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

The current year loss attributable to minority shares is TL 7.633 (30 September 2016: TL 4.773 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 50.628 (30 September 2016: TL 60.706).

**12. 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**

	<b>Current Period</b>	<b>Prior Period</b>
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	20.856	15.550
Commissions from Initial Public Offering	1.092	16
Investment Fund Management Income	1.525	1.178
Other	2.247	1.388
<b>Total</b>	<b>25.720</b>	<b>18.132</b>

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**SECTION FIVE (Continued)**

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

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

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

**1.a Current period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	294.292	7.878	21.131	-	90.035	-
Balance at the end of the period	199.925	878	-	-	81.449	-
Interest and commission income received	14.393	549	251	-	4.831	-

**1.b Prior period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	340.358	322	53.167	117.412	91.272	-
Balance at the end of the period	294.292	7.878	21.131	-	90.035	-
Interest and commission income received (*)	6.635	119	805	67	2.975	-

(\*) As of 30 September 2016.

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

The Parent Bank is not authorized to accept deposits.

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

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Fair Value Through Profit or Loss Transactions</b>						
Beginning of the Period	417.925	97.511	-	-	-	-
End of the Period	420.772	417.925	-	-	-	-
Total Profit / Loss (*)	(30.500)	(12.589)	-	-	-	-
<b>Hedging Risk Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(\*) Prior period includes the informations belong to 30 September 2016.

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

Benefits provided to key management personnel in the current period amount to TL 13.029 (30 September 2016: TL 12.275).

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**SECTION FIVE (Continued)**

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

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

None.

**SECTION SIX**

**AUDITORS' REVIEW REPORT**

**I. Explanations on the review report**

The consolidated financial statements for the period ended 30 September 2017 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's review report dated 25 October 2017 is presented preceding the consolidated financial statements.

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

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

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**GENERAL INFORMATION**

**Changes Pertaining to the Board Members, CEO and Executive Vice Presidents of the Bank During the Period**

The changes pertaining to the Board of Directors during the period are provided below. There have been no changes in the senior management.

On March 22, 2017, Mr. Mithat Rende was elected as a Board Member, a seat vacated by Mr. Kemal Saç, who resigned from his position. Mr. Rende sworn into office on April 4, 2017. Mr. H. Ersin Özince was elected as a Member and the Chairman of the Board, two positions vacated by Mr. Adnan Bali, who resigned from his capacities as the Board Member and Chairman of the Board on April 7, 2017.

On June 7, 2017, Mr. Fikret Utku Özdemir resigned from his position. Mr. Mehmet Şencan was elected as a Member and Vice Chairman of the Board. Mr. Mehmet Emin Özcan was elected as a Member of the Board, a seat vacated by Mr. Halil Aydoğan, who resigned from his capacity as a Member of the Board on June 14, 2017.

The biographies of Sn. H.Ersin Özince, Sn. Mithat Rende, Sn. Mehmet Şencan, and Sn. Mehmet Emin Özcan were published in previous interim activity report and also official website of the Bank.

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

The Board of Directors made 34 resolutions between January 1, 2017 - September 30, 2017. Members of the Board of Directors were sufficiently involved in the meetings.

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

In the third quarter of the year, the global economic recovery driven by both developed and developing countries continued its pace. During the period, the tapering signals of the central banks of developed countries and emerging geopolitical risks led to short-term market fluctuations. However, improving growth outlook continue to support inflows to developing countries including Turkey. The US agenda is mainly occupied with the Fed's plans to shrink its balance sheet shortly, the interest rate hike and the long-expected tax reforms. In the European Union (EU), Euro has stood strong against the US Dollar despite the political elections reshaping the balance of power, the Brexit issue and the recent uncertainties such as the Catalanian referendum in Spain.

On the domestic front, the recently-announced economic growth data and leading macroeconomic indicators, coupled with the contribution from the Credit Guarantee Fund (CGF), point out to a reinvigorated domestic demand. The expected leading factors pertaining to the third quarter growth will be the strong domestic demand and the increased share of exports in growth following the recovery in foreign demand. Furthermore, the contribution of construction investments to growth is also on the rise. Considering the composition of growth, it is critically important that the share of manufacturing investments specifically for export purposes should increase to attain a sustainable and healthy growth in the upcoming period.

During the third quarter in which the Central Bank of the Republic of Turkey (TCMB) retained its firm stance in line with the course of inflation, the banking sector continued its successful operations. Loan growth started to decelerate in June after a majority of the CGF funds had been extended and reached 12% in the first nine months on a currency-adjusted basis. ROE in the sector stood at around 14%. Considering that the sector adds most of its profits to its equity and re-convert into loans, it is required for banks to ensure a certain level of ROE in order to create a healthy lending capacity.

Financial sector operations also serve to improve social welfare. Adding social issues such as women's employment as well as occupational health and safety to the range of its lending themes in 2017, TSKB lent USD 2 billion in the first nine months to maintain and increase its support to development. As it has been the case since its establishment, the Bank will continue to assume key roles in development and investment banking.

Sincerely,

Chairman of the Board

H. Ersin Özince

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

The optimistic mood, which started to weigh on the global arena including Turkey, prevailed during the third quarter. The CGF introduced a reinvigorating momentum both in economy and in the banking sector. Macroeconomic indicators for September such as the capacity utilization rate and private sector confidence index point out to a more positive outlook in terms of production and investments in the upcoming period.

Banking sector continued its uninterrupted support to the economy and attained highly successful operational results with regard to growth and profitability in the first nine months. The sector not only attained a high growth in loans but also maintained its asset quality. It increased its interest revenues through the rising loan volume and sustained its control over the operating expenses, thus ensuring a net profit increase of 25% on an annual basis. We estimate that the banking sector will maintain its robust performance in the upcoming period. As we head towards 2018, we expect the sector will sustain its healthy loan growth next year and focus on investment loans in lending operations while maintaining a capital adequacy ratio around 17%.

At TSKB, we extended loans worth more than USD 2 billion to private sector investments in the first nine months. This marked a 13% year-to-date growth in our consolidated loan portfolio on an FX-adjusted basis. Furthermore, we expanded our customer portfolio by 20%. New loans extended in the first nine months mainly focused on renewable energy, environment, energy and resource efficiency projects, organized industrial zone investments and LEED-certified commercial buildings as well as SME finance. Moreover, investors displayed much interest in women's employment and occupational health and safety themes which were introduced by the funding agreement we signed with AFD at the end of last year.

We had a record loan-to-asset ratio at 74%, and our leverage ratio stood at 8X. Our assets grew by 12.8% year-to-date. We have prudently maintained our asset quality in the same period. Our shareholders' equity rose by 14.9% year-on-year to reach TL 3.6 billion on a consolidated basis. As of September 30, 2017, our consolidated net profit for the period increased by an annual 31.7% and stood at TL 467.2 million. In addition, our capital adequacy ratio remains as high as 17.4%.

In corporate governance, we have continued our stable operational and financial performance. In October, SAHA revised TSKB's corporate governance rating from 9.53 over 10 to 9.54 on October 20, 2017. This ensured that our Bank retained its position among the leading institutions with the highest ratings. At TSKB, we will build on our success in the upcoming period, as it has been the case so far, to provide further added value to our stakeholders.

Sincerely,

CEO and Board Member

Suat İnce

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**ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD**

**Economic Developments in the First 9 Months of 2017**

In the second quarter of 2017, Turkish economy grew by 5.1% on a year-on-year basis. On expenditures side, the fixed capital formation supported by the 25% increase in construction investments grew by 9.5% in the second quarter and emerged as a key driver for growth. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 2.1% in the second quarter of 2017 when compared to the previous quarter. As of the end of June 2017, the size of Turkish economy stood at TL 2.8 trillion (USD 834 billion).

Inflation data by Turkstat revealed that annual inflation based on consumer prices was 11.20% as of September 2017. As of 2016 year-end, the inflation rate rose to 8.53%. The delayed impact of FX rate increase and the hike in food prices and global commodity prices in the last quarter of last year all contributed to the rising inflation.

Turkstat data indicates that industrial production rose on an annual basis in the first eight months of the year, excluding two months. The average increase rate stood at 1.7% in the first quarter and at 2.1% in the second quarter but accelerated and increased to an average of 4.8% for the first eight months of the year under the impact of a sharp increase as high as 25.6% brought along by the base effect in July.

The strong growth in iron and steel, energy and automotive exports and the decrease in textiles and gold exports in the first eight months of the year led to an increase of 10.8% in total exports which stood at USD 103 billion. During the period, energy imports rose by 34% and gold imports surged by 296%, causing the total imports to increase by 13.8% and reach USD 149 billion. This led the foreign trade deficit to rise to USD 45.7 billion with an increase of 21.1%. In the first eight months, the rate of exports meeting imports stood at 69.4%.

Current accounts deficit increased by 19% year-on-year to reach USD 27.2 billion in the first eight months of 2017. The annual deficit was USD 32.6 billion in 2016, which constituted 3.8% of the GDP, and increased to USD 36.9 billion by the end of August 2017, corresponding to 4.4% of the GDP. Ministry of Finance data showed that the central administration budget had a TL 25.2 billion deficit in the first eight months of 2017. The budget previously had a TL 4.9 billion surplus during the same period of the previous year. In the first eight months, tax revenues increased by 15.2% to reach TL 343 billion and primary expenditures rose by 20% to stand at TL 395 billion. Primary surplus, on the other hand, fell by 68% to TL 13 billion year-on-year in the first eight months of 2017.

**Markets**

During the first nine months of the year, markets were led by expectations on the economic policies of the new administration in the U.S., the elections in the Netherlands, France and Germany, and the statements by the central banks of developed countries. The Fed implemented tightening measures in monetary policy despite the failure to put into effect the expected tax reform and investment plans to support growth in the U.S., and the scale-down in growth expectations due to the negative impact of large storms. The Fed hiked interest rates twice, one in March and the other in June, and declared that it would start implementing measures to shrink its USD 4.5 trillion-balance sheet in the last quarter of the year. The U.S. Dollar depreciated in global markets due to the facts that the Fed hiked interest rates by issuing signals in advance in an effort not to disrupt market dynamics, economic data proved to be poor and the incentives to reinvigorate growth failed to come to life. On the other hand, the Euro appreciated as growth indicators in the Eurozone recovered and the elections in the Netherlands, France and Germany produced results that mitigated political risks in the European Union. This appreciation was supported by the faintly-emphasized signal from the European Central Bank that it could introduce changes to its ultra-loose monetary policy. EUR/USD parity started the year at 1.03 and rose to 1.18 at the end of September. Following the Fed, the Bank of Canada hiked the policy interest rate once while the Bank of England signaled for a strong interest rate hike since the depreciation in GBP during the Brexit process led to an increase in inflation.



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In developing countries, on the other hand, the improvement in growth indicators led by Russia and Brazil, coupled with the declining inflation rates, made room for loosening monetary policies. Since the start of the year, Russia reduced interest rates by 150 basis points while Brazil and India followed by a decrease of 550 basis points and 25 basis points respectively. A sustained and ample global liquidity in addition to improved macroeconomic indicators increased capital flows into developing countries. The currencies of developing countries appreciated and the stock exchanges rose.

In developed countries, the recovery in inflation indicators and the signals for a tightening in monetary policies triggered an increase in global bond interest rates. Following economic recovery, the upside trend in commodity prices observed since the second half of 2016 decelerated in the first half of 2017. In the aftermath of the November 2016 OPEC meeting when OPEC made a decision to cut down on production, the price of Brent Crude rose to USD 55 in January and has since remained within the range of USD 45 to 60 under the impact of geopolitical developments. It has most recently stood at above USD 55 following the announcement of production cuts by Saudi Arabia.

In the first nine months of the year, the Emerging Markets Index (MSCI EM), the European exchanges (Stoxx600) and the U.S. exchange (S&P500) rose by 25%, 7% and 12% respectively. The U.S. 10-year interest started an upward trend in September 2016 at 1.55% to reach 2.63% in mid-March before going down to 2.34 by the end of period. The IIF data shows that developing countries received a capital inflow worth USD 286 billion in the first nine months of 2017. This marks a significant increase compared to previous year's USD 64 billion on a year-on-year basis.

Turkey, on the other hand, had a very busy agenda in the first three quarters of the year including items such as the referendum on Constitutional amendments, the Government's incentives programs to support growth, employment and investments, the establishment of the Sovereign Wealth Fund of Turkey, the upside impact on loan volume as created by the fact that the limit of the CGF is increased to TL 250 billion and the negative geopolitical developments. In order to control inflation and reduce volatility in FX rates, the Central Bank shifted the funding facility for markets from the quotation method to the late liquidity window, the rate for which is taken to 12.75%, thus raising the weighted average cost of funding to 12.0% from 8.3%. Stocks presented a positive outlook mainly due to capital inflow into emerging markets while the global developments, rising inflation and tightening steps by the Central Bank increased the interest rates for bonds. Starting the year at 3.52, the USD/TL rate oscillated within the range of 3.40 to 3.94 during the period under the impact of the tightening measures by the Central Bank, the inflow of foreign capital and geopolitical developments before completing the period at 3.55. The two-year benchmark bond interest started the first three quarters at 10.63% and finished it at 11.89%. BIST-100 completed the quarter at 102,908 with an increase of 32%.

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**Banking Sector**

In the first nine months of 2017, total loans grew by 15% on a nominal basis, and by 12% on an FX-adjusted basis as driven by the increase in TL loans. The CGF loans accelerated specifically from mid-March on but partly slowed down in the third quarter, with the share of SMEs in total loans reducing. Total TL loans increased by 21.1% year-to-date while the FX loans remained more or less horizontal. The growth in TL loans were mainly driven by the 26.6% increase in corporate TL loans and 12.7% increase in personal TL loans. The impact of the CGF in corporate TL loans was most evident in commercial TL loans on installment which recorded a year-to-date increase of 65.1%. However, the impact of installment commercial loans in the loan increase has started to fade. The share of the increased commercial TL loans on installment in the growth of corporate TL loans was 76% by the end of June but fell to 68% by the end of September since the loans extended to non-SME organizations among the CGF loans started to increase. The growth in personal loans was chiefly influenced by the 14.6% increase in general purpose loans and the 13.9% increase in housing loans.

Year-to-date, the deposits in the banking sector grew by 11.6% on a nominal basis, and by 8.8% on an FX-adjusted basis as of the end of September. The increase in both TL deposits and FX deposits contributed to the overall increase in deposits. Total TL deposits increased by 8% on a year-to-date basis while the FX deposits rose by 9.8% on a currency-adjusted basis. The loan-to-deposit ratio in the sector stood at 117.4% at 2016 year-end but increased to 120.7% by the end of September. A breakdown of TL and FX deposits indicates that the TL-denominated loan-to-deposit ratio climbed over the peak level observed in 2015 and went beyond 150% under the impact of the increase in the TL loans extended specifically through the CGF support.

Change YTD	TL Terms	FX-Adjusted Basis
Loans	15.0%	12.0%
Deposits	11.6%	8.8%

Source: BRSA Weekly Bulletin, September 29, 2017

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**GENERAL ASSEMBLY RESOLUTIONS**

The Bank's annual Ordinary General Assembly meeting was held at the Head Office on March 23, 2017.

The 2016 Ordinary General Assembly meeting was held under physical and electronic attendance of 169,743,762,927 shares corresponding to a capital of TL 1,697,437,629.27 out of 205,000,000,000 shares corresponding to the Bank's total capital of TL 2,050 million.

During the meeting, the Shareholders unanimously adopted a motion on:

- The establishment of the Chairman's Bureau in accordance with the Bank's Articles of Association and authorizing the Chairman's Bureau for signing the meeting minutes.
- On the other hand, motions on reading and negotiating the Board's Annual Report, Declaration of Compliance with Corporate Governance Principles and Independent Auditor's Report regarding the Bank's accounts and transactions for 2016,
- Examining, negotiating and approving the balance sheet and profit/loss account of the Bank for 2016,
- Pursuant to article 363 of the Turkish Commercial Code and in accordance with the bank's Articles of Association, election of Mr. Suat İnce, Mr. Fikret Utku Özdemir, Mr. Can Yücel and Mr. Kemal Saç as Members of the Board of Directors instead of Mr. Özcan Türkakın, Mr. Kemal Serdar Dışlı, Mr. Murat Bilgiç, and Mr. Uygur Şafak Ögün, who all resigned from their positions as Members of the Board during the year,
- Releasing the Members of the Board of Directors,
- Making decisions about the determination and distribution of the dividend to be distributed, determining the date of dividend distribution,
- Determining the remuneration to be paid to the Members of the Board of Directors,
- Electing the Independent Audit Company,
- Amending Article 5 on capital in the Bank's Articles of Association,
- Determining the maximum limit of donations to be made in 2017,
- Granting permission to Board Members in relation to the transactions stated in Articles 395 and 396 of the Turkish Commercial Code,

were adopted by majority of votes.

The General Assembly was informed on the donations made during the year and on the transactions under Article 1.3.6 of the Corporate Governance Communiqué No.II-17.1 by the CMB.

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

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

Fitch Ratings, the international credit rating agency, affirmed all current credit ratings and outlooks of our Bank on October 4, 2017. Fitch also assigned our Bank a Financial Capacity Rating (bb), since the current operations and credibility of our Bank are sufficiently independent.

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

During the Ordinary General Assembly Meeting of our Bank, it is resolved in relation to cash dividends that a gross TL 82,000,000, which corresponds to 4% of the paid-in capital, out of TL 432,000,000, the total of primary and secondary dividends, be distributed to shareholders in cash, and TL 350,000,000, which corresponds to 17.07% thereof, be given as bonus share to be used in increasing the capital of our Bank to TL 2,400,000,000 from TL 2,050,000,000, and the distribution of the bonus share dividends start following the CMB approval for the issuance certificate regarding the said shares.

On March 27, 2017, dividends were distributed first to shareholders and then to Board Members and employees. In addition, required approvals were obtained from the BRSA and the CMB, and the capital increase transaction was completed on May 29, 2017.

During the Board meeting of June 7, 2017, the following decisions were issued in relation to Board Committees due to changes in the membership structure of the Board of Directors:

- Mr. Mehmet Şencan was elected as a member of the Audit Committee,
- Mr. Can Yücel was elected as a member of the Corporate Governance Committee,
- Mr. Mehmet Şencan was elected as a member of the Credit Revision Committee.

On June 19, 2017, our Bank renewed its contract with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA), which subsequently assessed the corporate governance rating of our Bank in October 2017. In its recent rating revision, SAHA updated our Bank's rating, which stood at 95.27 (9.53) over 100, to 95.37 (9.54) on October 20, 2017.

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**FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD**

The summary for the Bank's main consolidated financial indicators as of September 30, 2017 is provided below:

The total asset size grew by 17.9% on a year-on-year basis and by 12.8% compared to 2016 year-end to reach TL 28,061 million.

The total loan portfolio stood at TL 20,767 million, marking an increase of 34.6% on a year-on-year basis and 19.8% on a year-to-date basis. The FX-adjusted growth in loans stood at 13.3% on a year-to-date basis. The ratio of non-performing loans to total loans stayed at 0.3% in the third quarter.

Shareholders' equity rose by 14.9% on a year-on-year basis and by 13.4% compared to 2016 year-end to reach TL 3,564 million. The capital adequacy ratio, which stood at 17.6% in the second quarter of 2017, slightly decreased to 17.4% as of the end of September 2017.

As of September 30, 2017; net profit increased by 31.7% on an annual basis to reach TL 467,178 thousand.

Return on equity stood at 16.1% in September 2016, 15.0% at 2016 year-end, and 18.6% in September 2017.

Return on assets stood at 2.1% in September 2016, decreasing slightly to 1.9% at 2016 year-end before rising up to 2.4% in September 2017.

In the third quarter of 2017, total operating income increased by 25.8% on an annual basis to reach TL 700.5 million, while other operating expenses rose by 6.7% to TL 124.3 million. The cost-to-income ratio, which stood at 20.9% in September 2016 and slightly edged up to 22.4% at 2016 year-end, ended the third quarter of 2017 with 17.7%.

**RISK MANAGEMENT**

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

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

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

**FURTHER INFORMATION**

Statements regarding the developments that have a significant impact on the Bank's operations are given above. For further information, please kindly visit the following website for the annual report of 2016:

<http://www.tskb.com.tr/tr/yatirimci-iliskileri/finansal-raporlar>