

Türkiye Sınai Kalkınma Bankası Anonim Şirketi

**Publicly announced unconsolidated financial statements and
related disclosures at March 31, 2017 together with auditor's
review report**

(Convenience translation of publicly announced unconsolidated 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 unconsolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") at 31 March 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-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 unconsolidated financial statements do not give a true view of the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. at 31 March 2017 and of the results of its operations and its cash flows for the three-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

The financial statements of the Bank as of December 31, 2016 and March 31, 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 April 28, 2016 respectively.

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 unconsolidated financial statements and disclosures in all material respects.

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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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

April 26, 2017
İstanbul, Türkiye

THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

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The unconsolidated financial report for the three 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM REPORT

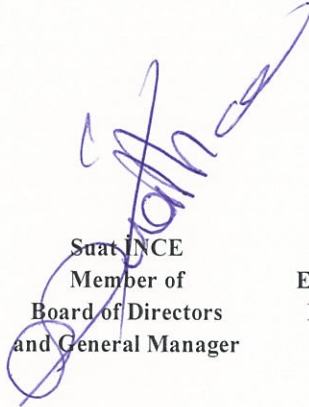
The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the three months, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish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

26 April 2017

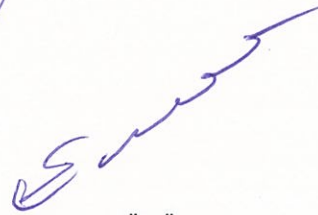


H. Ersin ÖZİNCE
Chairman of
Board of Directors

Acting
Ebru ÖZŞUCA
Vice Chairman



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



Fikret Utku ÖZDEMİR
Member of Audit Committee

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

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

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

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

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

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

Current Period				
Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	1.039.543	50,71	1.039.543	-
T. Vakıflar Bankası T.A.O.	171.738	8,38	171.738	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	838.719	40,91	838.719	-
Total	2.050.000	100,00	2.050.000	-

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

Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The 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 FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
H. Ersin Özince (2)	Chairman of the Board of Directors
Ebru Özşuca (4)	Vice Chairman of the Board of Directors and Audit Committee
Halil Aydoğan	Member of the Board of Directors
Yavuz Canevi	Member of the Board of Directors
Suat İnce	Member of the Board of Directors and General Manager
Fikret Utku Özdemir (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
B. Gökhan Çanakpınar	Vice President – Information Technology and Operation
Ece Börü	Vice President – Financial Control, Budget Planning and Investor Relations
Hakan Aygen	Vice President – Corporate Finance, Corporate Marketing and Project Finance
Aziz Ferit Eraslan	Vice President – Internal Systems and Risk Management
Aslı Zerrin Hancı	Vice President – Treasury
H. Yetkin Kesler	Vice President– Enterprise Architecture, Human Resources and Corporate Communication, 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 336th article of the Turkish Commercial Code and the 17th 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 Vice Chairman of the Board of Directors due to Mr. Kemal Sağ's resignation from his duty. Mr Rende has started his duty on 04 April 2017 by taking his oath

(4) In the Board of Directors meeting held on 3 April 2017, Mrs. Ebru Özşuca and Mr. Fikret Utku Özdemir signed to Audit committee due to changing in members.

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 FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:

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

İş Finansal Kiralama A.Ş.:

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

İş Faktoring A.Ş.:

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 31 MARCH 2017

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

ASSETS	Note Ref.	Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	10.477	747.233	757.710	161.303	616.771	778.074
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	174.824	208.104	382.928	130.477	249.626	380.103
2.1 Trading financial assets		174.824	208.104	382.928	130.477	249.626	380.103
2.1.1 Public sector debt securities		4.651	-	4.651	4.658	-	4.658
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		170.173	208.104	378.277	125.819	249.626	375.445
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	(3)	320.677	270.783	591.460	15.360	48.093	63.453
IV. MONEY MARKET PLACEMENTS		24.846	-	24.846	62.895	191.138	254.033
4.1 Interbank money market placements		-	-	-	-	191.138	191.138
4.2 Istanbul Stock Exchange money market placements		24.846	-	24.846	62.895	-	62.895
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	1.765.015	1.088.451	2.853.466	2.050.318	1.020.104	3.070.422
5.1 Share certificates		30.086	22.024	52.110	30.091	18.582	48.673
5.2 Public sector debt securities		1.554.931	1.030.944	2.585.875	1.823.078	967.854	2.790.932
5.3 Other marketable securities		179.998	35.483	215.481	197.149	33.668	230.817
VI. LOANS AND RECEIVABLES	(5)	3.166.627	15.481.460	18.648.087	2.595.797	14.722.796	17.318.593
6.1 Loans and receivables		3.166.627	15.481.460	18.648.087	2.595.797	14.722.796	17.318.593
6.1.1 Loans to the risk group of the Bank		286.669	174.106	460.775	245.062	212.410	457.472
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.879.958	15.307.354	18.187.312	2.350.735	14.510.386	16.861.121
6.2 Non-performing loans		51.973	1.164	53.137	47.077	1.362	48.439
6.3 Specific provisions (-)		(51.973)	(1.164)	(53.137)	(47.077)	(1.362)	(48.439)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	1.209.218	189.813	1.399.031	1.188.990	186.739	1.375.729
8.1 Public sector debt securities		1.209.218	189.813	1.399.031	1.188.990	186.739	1.375.729
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	214.070	-	214.070	222.908	-	222.908
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		214.070	-	214.070	222.908	-	222.908
9.2.1 Financial investments		212.515	-	212.515	221.353	-	221.353
9.2.2 Non-financial investments		1.555	-	1.555	1.555	-	1.555
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	129.540	-	129.540	129.363	-	129.363
10.1 Unconsolidated financial subsidiaries		128.161	-	128.161	127.984	-	127.984
10.2 Unconsolidated non-financial subsidiaries		1.379	-	1.379	1.379	-	1.379
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	-	16.199	16.199	-	3.792	3.792
12.1 Finance lease receivables		-	19.063	19.063	-	4.393	4.393
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(2.864)	(2.864)	-	(601)	(601)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	4.805	4.805	-	272	272
13.1 Fair value hedge		-	4.805	4.805	-	272	272
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	50.489	-	50.489	51.112	-	51.112
XV. INTANGIBLE ASSETS (Net)	(13)	1.181	-	1,181	949	-	949
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1.181	-	1,181	949	-	949
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	17.313	-	17.313	14.195	-	14.195
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		17.313	-	17.313	14.195	-	14.195
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	74.157	246.601	320.758	61.734	276.841	338.575
TOTAL ASSETS		7.158.434	18.253.449	25.411.883	6.685.401	17.316.172	24.001.573

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2017

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

		Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016		
LIABILITIES	Note Ref.	TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	135.759	175.308	311.067	110.645	210.003	320.648
III. FUNDS BORROWED	(3)	98.718	16.100.285	16.199.003	100.083	15.740.884	15.840.967
IV. MONEY MARKET BALANCES		454.902	109.955	564.857	844.500	60.998	905.498
4.1 Interbank money market takings		81.000	-	81.000	610.144	-	610.144
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		373.902	109.955	483.857	234.356	60.998	295.354
V. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	3.667.956	3.667.956	-	3.486.732	3.486.732
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	3.667.956	3.667.956	-	3.486.732	3.486.732
VI. BORROWER FUNDS		3.968	14.501	18.469	1.511	3.806	5.317
6.1 Borrower funds		3.968	14.501	18.469	1.511	3.806	5.317
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS		106.505	54.954	161.459	100.476	73.462	173.938
VIII. OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES	(5)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	49.256	49.256	-	51.433	51.433
11.1 Fair value hedge		-	49.256	49.256	-	51.433	51.433
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(7)	292.611	-	292.611	278.392	-	278.392
12.1 General loan loss provisions		177.503	-	177.503	178.463	-	178.463
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		10.525	-	10.525	9.346	-	9.346
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		104.583	-	104.583	90.583	-	90.583
XIII. TAX LIABILITY	(8)	59.125	-	59.125	10.309	-	10.309
13.1 Current tax liability		59.125	-	59.125	10.309	-	10.309
13.2 Deferred tax liability		-	-	-	-	-	-
PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	1.097.469	1.097.469	-	-	-
XVI. SHAREHOLDERS' EQUITY		2.992.439	(1.828)	2.990.611	2.955.113	(26.774)	2.928.339
16.1 Paid-in capital	(11)	2.050.000	-	2.050.000	2.050.000	-	2.050.000
16.2 Capital reserves		19.149	(1.828)	17.321	29.784	(26.774)	3.010
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	(16.330)	(1.828)	(18.158)	(5.695)	(26.774)	(32.469)
16.2.4 Tangible assets revaluation differences	(11)	34.702	-	34.702	34.702	-	34.702
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		777	-	777	777	-	777
16.3 Profit reserves		432.528	-	432.528	398.884	-	398.884
16.3.1 Legal reserves	(11)	238.854	-	238.854	213.923	-	213.923
16.3.2 Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3 Extraordinary reserves	(11)	115.113	-	115.113	106.400	-	106.400
16.3.4 Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4 Profit or loss		490.762	-	490.762	476.445	-	476.445
16.4.1 Prior years' income/losses		350.000	-	350.000	-	-	-
16.4.2 Current year income/loss		140.762	-	140.762	476.445	-	476.445
TOTAL LIABILITIES AND EQUITY		4.144.027	21.267.856	25.411.883	4.401.029	19.600.544	24.001.573

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED OFF BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2017

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

		Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016			
OFF-BALANCE SHEET COMMITMENTS		Dipnot	TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8.099.092	41.172.217	49.271.309	8.126.550	35.667.704	43.794.254
I.	GUARANTEES AND COLLATERALS	(1)	188.870	1.632.415	1.821.285	210.450	1.458.760	1.669.210
1.1	Letters of guarantee		188.870	870.036	1.058.906	210.450	764.943	975.393
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		188.870	870.036	1.058.906	210.450	764.943	975.393
1.2	Bank acceptances		-	18.138	18.138	-	17.450	17.450
1.2.1	Import letters of acceptance		-	18.138	18.138	-	17.450	17.450
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		-	744.241	744.241	-	676.367	676.367
1.3.1	Documentary letters of credit		-	744.241	744.241	-	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)	1.799.649	8.115.211	9.914.860	1.535.728	6.271.098	7.806.826
2.1	Irrevocable commitments		462.671	773.048	1.235.719	239.369	298.218	537.587
2.1.1	Forward asset purchase and sales commitments		218.458	521.508	739.966	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		4.897	70.077	74.974	-	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		239.316	181.463	420.779	216.210	174.531	390.741
2.2	Revocable commitments		1.336.978	7.342.163	8.679.141	1.296.359	5.972.880	7.269.239
2.2.1	Revocable loan granting commitments		1.336.978	7.342.163	8.679.141	1.296.359	5.972.880	7.269.239
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	6.110.573	31.424.591	37.535.164	6.380.372	27.937.846	34.318.218
3.1	Derivative financial instruments for hedging purposes		-	10.229.550	10.229.550	-	7.747.800	7.747.800
3.1.1	Fair value hedge		-	10.229.550	10.229.550	-	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		6.110.573	21.195.041	27.305.614	6.380.372	20.190.046	26.570.418
3.2.1	Forward foreign currency buy/sell transactions		478.171	608.120	1.086.291	249.785	881.330	1.131.115
3.2.1.1	Forward foreign currency transactions-buy		239.307	304.063	543.370	126.329	441.469	567.798
3.2.1.2	Forward foreign currency transactions-sell		238.864	304.057	542.921	123.456	439.861	563.317
3.2.2	Swap transactions related to f.c. and interest rates		3.224.738	17.500.694	20.725.432	2.891.385	15.498.438	18.389.823
3.2.2.1	Foreign currency swaps-buy		831.730	3.288.814	4.120.544	954.500	2.939.433	3.893.933
3.2.2.2	Foreign currency swaps-sell		2.352.184	1.621.392	3.973.576	1.896.061	1.826.119	3.722.180
3.2.2.3	Interest rate swaps-buy		20.412	6.295.244	6.315.656	20.412	5.366.443	5.386.855
3.2.2.4	Interest rate swaps-sell		20.412	6.295.244	6.315.656	20.412	5.366.443	5.386.855
3.2.3	Foreign currency, interest rate and securities options		2.407.664	2.996.389	5.404.053	3.239.202	3.692.734	6.931.936
3.2.3.1	Foreign currency options-buy		1.204.457	1.498.376	2.702.833	1.619.601	1.846.367	3.465.968
3.2.3.2	Foreign currency options-sell		1.203.207	1.498.013	2.701.220	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		-	89.838	89.838	-	117.544	117.544
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		45.729.843	192.463.936	238.193.779	42.733.558	190.380.447	233.114.005
IV.	ITEMS HELD IN CUSTODY		296.002	204.061	500.063	239.987	130.993	370.980
4.1	Customers' securities held		-	-	-	-	-	-
4.2	Investment securities held in custody		31.235	204.061	235.296	34.244	130.993	165.237
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		264.767	-	264.767	205.743	-	205.743
V.	PLEDGED ITEMS		34.387.593	113.947.009	148.334.602	31.660.545	112.960.070	144.620.615
5.1	Marketable securities		450.941	7.944.294	8.395.235	450.941	7.564.328	8.015.269
5.2	Guarantee notes		98.021	2.060.593	2.158.614	96.871	2.041.938	2.138.809
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real estates		528.383	30.705.697	31.234.080	428.385	29.854.058	30.282.443
5.6	Other pledged items		33.310.248	73.236.425	106.546.673	30.684.348	73.499.746	104.184.094
5.7	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED BILLS OF EXCHANGE AND COLLATERALS		11.046.248	78.312.866	89.359.114	10.833.026	77.289.384	88.122.410
TOTAL OFF BALANCE SHEET ITEMS (A+B)			53.828.935	233.636.153	287.465.088	50.860.108	226.048.151	276.908.259

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

INCOME STATEMENT	Note Ref.	Reviewed Current Period 1 January 2017 – 31 March 2017	Reviewed Prior Period 1 January 2016 – 31 March 2016
I. INTEREST INCOME	(1)	395.394	328.490
1.1 Interest on loans		282.187	185.414
1.2 Interest received from reserve deposits		933	844
1.3 Interest received from banks		4.729	578
1.4 Interest received from money market placements		13.536	44.502
1.5 Interest received from marketable securities portfolio		93.405	96.984
1.5.1 Financial assets held for trading		233	623
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		58.095	69.826
1.5.4 Investments held-to-maturity		35.077	26.535
1.6 Finance lease income		114	-
1.7 Other interest income		490	168
II. INTEREST EXPENSES	(2)	(171.831)	(133.087)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(73.940)	(48.295)
2.3 Interest on money market borrowings		(47.079)	(58.347)
2.4 Interest on securities issued		(50.553)	(26.399)
2.5 Other interest expense		(259)	(46)
III. NET INTEREST INCOME (I - II)		223.563	195.403
IV. NET FEES AND COMMISSIONS INCOME		2.230	1.421
4.1 Fees and commissions received		3.967	3.100
4.1.1 Non-cash loans		2.927	2.745
4.1.2 Other	(11)	1.040	355
4.2 Fees and commissions paid		(1.737)	(1.679)
4.2.1 Non-cash loans		(134)	(20)
4.2.2 Other		(1.603)	(1.659)
V. DIVIDEND INCOME	(3)	3.092	9.325
VI. NET TRADING INCOME	(4)	(1.048)	(12.627)
6.1 Securities trading gains/ (losses)		481	3.609
6.2 Derivative financial instruments gains/losses		(6.075)	(85.773)
6.3 Foreign exchange gains/losses (net)		4.546	69.537
VII. OTHER OPERATING INCOME	(5)	1.909	9.776
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		229.746	203.298
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(21.101)	(13.086)
X. OTHER OPERATING EXPENSES (-)	(7)	(34.089)	(28.112)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		174.556	162.100
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		174.556	162.100
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	(33.794)	(29.776)
16.1 Provision for current income taxes		(42.399)	(36.010)
16.2 Provision for deferred taxes		8.605	6.234
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(9)	140.762	132.324
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(10)	140.762	132.324
Earnings / (losses) per share (Full Kuruş)		0,069	0,065

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

**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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

	Reviewed Current Period 1 January 2017– 31 March 2017	Reviewed Prior Period 1 January 2016– 31 March 2016
PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	27.720	37.947
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	739	81
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	(8.661)	8.586
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(5.487)	(7.379)
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	14.311	39.235
XI. CURRENT YEAR PROFIT/LOSS	140.762	132.324
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	113	1.565
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	140.649	130.759
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	155.073	171.559

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

**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY															Shareholders' Equity		Total Shareholders' Equity	
		Note	Paid in Capital	Other Capital Reserves	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Revaluation Surplus on Assets Held for sale and on Disc. Operations		Shareholders' Equity Before Non-controlling Interest
Prior Period – 31 March 2016																		
I.	Opening Balance		1,750,000	57	-	-	192,634	75,641	82,703	2,844	-	-	406,845	(53,345)	31,348	-	-	2,488,727
II.	Changes in accounting policies according to TAS #		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (1.1.1)		1,750,000	57	-	-	192,634	75,641	82,703	2,844	-	-	406,845	(53,345)	31,348	-	-	2,488,727
IV.	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vest)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	76	-	-	-	-	-	-	-	-
XIX.	Period net income		-	-	-	-	-	-	-	-	132,324	-	-	-	-	-	-	76
XX.	Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance		1,750,000	57	-	-	213,923	75,641	106,400	2,920	132,324	300,000	(14,186)	31,368	-	-	2,598,447	2,598,447
Current Period – 31 March 2017																		
I.	Opening Balance		2,050,000	777	-	-	213,923	75,641	106,400	2,920	-	-	476,445	(32,469)	34,702	-	-	2,928,339
II.	Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vest)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Period net income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance		2,050,000	777	-	-	238,854	75,641	115,113	2,920	140,762	350,000	(18,158)	31,702	-	-	2,990,611	2,990,611

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

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Reviewed Current Period 31 March 2017	Reviewed Prior Period 31 March 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		216.059	105.812
1.1.1 Interest received		325.843	275.925
1.1.2 Interest paid		(226.242)	(17.097)
1.1.3 Dividends received		1.892	7.061
1.1.4 Fees and commissions received		3.967	3.100
1.1.5 Other income		2.589	13.673
1.1.6 Collections from previously written off loans		199	6.014
1.1.7 Payments to personnel and service suppliers		(26.489)	(23.738)
1.1.8 Taxes paid		(5.063)	(41.857)
1.1.9 Others		139.363	(117.269)
1.2 Changes in operating assets and liabilities		(1.332.606)	(7.343)
1.2.1 Net (increase) decrease in financial assets		-	(23.455)
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		(646.975)	(461.328)
1.2.5 Net (increase) decrease in other assets		(108.826)	128.755
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		(251.134)	(120.092)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(325.671)	468.777
I. Net cash provided by/(used in) banking operations		(1.116.547)	98.469
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		282.220	(114.880)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed asset purchases		(609)	(431)
2.4 Fixed asset sales		123	85
2.5 Cash paid for purchase of financial assets available for sale		(219.535)	(255.722)
2.6 Cash obtained from sale of financial assets available for sale		502.613	141.492
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others		(372)	(304)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		984.199	(61.839)
3.1 Cash obtained from funds borrowed and securities issued		1.077.000	-
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		(1.938)	(2.903)
V. Net increase / (decrease) in cash and cash equivalents		147.934	(81.153)
VI. Cash and cash equivalents at beginning of the period		481.913	1.652.278
VII. Cash and cash equivalents at end of the period		629.847	1.571.125

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

I.a Presentation of financial statements:

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

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

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

Additional paragraph for convenience translation to English

The 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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 Turkish Accounting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXII.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 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. Explanations on forward and option contracts and derivative instruments

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

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

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

IV. Explanations on interest income and expenses

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

V. Explanations on fees and commission income and expenses

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

VI. Explanations on financial assets

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

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

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

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

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

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

Cash, Banks and Other Financial Institutions:

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

Marketable Securities:

The Bank classifies its marketable securities in 3 groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at the inception as financial assets at fair

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

value through profit or loss by the Bank. The Bank uses such classification above when permitted or for the purposes of providing a more proper disclosure.

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

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

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

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

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

Explanations on investments in associates and subsidiaries

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

Loans:

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

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

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

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

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

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

VII. Explanations on impairment on financial assets

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on impairment on financial assets (continued)

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

VIII. Explanations on offsetting of financial assets and liabilities

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

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

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

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

X. Explanations on assets held for sale and discontinued operations

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XI. Explanations on goodwill and other intangible assets

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

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

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

XII. Explanations on tangible assets

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

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

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

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

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

XIII. Explanations on leasing transactions***The Bank as Lessor***

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

The Bank as Lessee

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

XIV. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on liabilities regarding employee benefits

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

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on liabilities regarding employee benefits (continued)

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

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

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

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

XVI. Explanations on taxation

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

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

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on taxation (continued)

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

Transfer pricing

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

XVII. Additional explanations on borrowings

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

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

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

XVIII. 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 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 applications to BRSA and CMB related to increase has been performed, and the process has not been finalised as of report date.

In the meeting of the General Assembly held on 24 March 2016, it has been resolved that, paid-in capital of the Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The 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.

XIX. Explanations on acceptances

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

XX. Explanations on government incentives

The Bank does not use government incentives.

**NOTES TO THE FINANCIAL STATEMENTS
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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXI. Explanations on segment reporting

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

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

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	119.670	103.893	-	223.563
Net Fees and Commission Income	2.829	(574)	(25)	2.230
Other Income	199	-	4.802	5.001
Other Expense	(25.228)	(5.645)	(25.365)	(56.238)
Profit Before Tax	97.470	97.674	(20.588)	174.556
Tax Provision				(33.794)
Net Profit				140.762
Current Period				
Segment Assets	18.664.286	6.014.246	389.741	25.068.273
Investment in Associates and Subsidiaries	-	-	343.610	343.610
Total Assets	18.664.286	6.014.246	733.351	25.411.883
Segment Liabilities	21.702.938	205.139	513.195	22.421.272
Shareholders' Equity	-	-	2.990.611	2.990.611
Total Liabilities	21.702.938	205.139	3.503.806	25.411.883

Prior Period (*)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	87.466	107.937	-	195.403
Net Fees and Commission Income	2.743	(1.322)	-	1.421
Other Income	289	-	18.812	19.101
Other Expense	(16.270)	(17.125)	(20.430)	(53.825)
Profit Before Tax	74.228	89.491	(1.619)	162.100
Tax Provision				(29.776)
Net Profit				132.324
Prior Period (**)				
Segment Assets	17.322.385	5.922.086	404.831	23.649.302
Investment in Associates and Subsidiaries	-	-	352.271	352.271
Total Assets	17.322.385	5.922.086	757.102	24.001.573
Segment Liabilities	20.066.209	544.386	462.639	21.073.234
Shareholders' Equity	-	-	2.928.339	2.928.339
Total Liabilities	20.066.209	544.386	3.390.978	24.001.573

(*) Includes information of 31 March 2016.

(**) Includes information of 31 December 2016.

XXII. Explanations on other matters

None.

NOTES TO THE FINANCIAL STATEMENTS
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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Information related to the components of unconsolidated total capital

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 March 2017, The Capital adequacy ratio of Bank has been calculated as 17,39%.

	Current Period	Prior Period
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.050.374	2.050.374
Share premiums	-	-
Reserves	432.528	398.884
Other comprehensive income according to TAS	113.493	120.231
Profit	490.762	476.445
Current Period Profit	140.762	476.445
Prior Period Profit	350.000	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Core Equity Tier 1 Capital Before Deductions	3.087.157	3.045.934
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	96.949	117.998
Leasehold improvements on operational leases	4.960	5.255
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	945	569
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	403	403
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier I Capital	103.257	124.225
Core Equity Tier I Capital	2.983.900	2.921.709
Preferred Stock not Included in Core Equity and the Related Share Premiums		
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional tier i capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	236	380
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 (-)	-	-
Total Deductions From Additional Tier I Capital	236	380
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	2.983.664	2.921.329
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	1.088.250	-
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)	177.503	178.463
Tier II Capital Before Deductions	1.265.753	178.463
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1.265.753	178.463
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.249.417	3.099.792
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	364	369
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		
Total Capital	4.249.053	3.099.423
Total Risk Weighted Assets	24.435.177	21.631.077
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12,21	13,51
Tier I Capital Adequacy Ratio (%)	12,21	13,51
Capital Adequacy Ratio (%)	17,39	14,33
BUFFERS		
Total buffer requirement (%)	5,13	5,13
Capital conservation buffer requirement (%)	1,25	0,63
Bank specific counter-cyclical buffer requirement (%)	0,004	0,002
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	1,26	6,33
Amounts below the Excess Limits as per the Deduction Principles		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	221.396	230.570
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****Information related to the components of unconsolidated total capital (continued)**

Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	177.503	178.463
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	177.503	178.463
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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 FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Information related to the components of unconsolidated 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, SEC, Turkish Law
Regulatory treatment	
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)	1.088
Par value of instrument	1.088
Accounting classification	347011 (Liability) - Subordinated Loans- Amortised Cost
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
Convertible or non-convertible	
If convertible, conversion 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 convertible, fully or partially	Full or Partial
If convertible, conversion rate	Permanent
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
Write-down feature	
If write-down, write-down trigger(s)	None
If write-down, full or partial	None
If write-down, permanent or temporary	None
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.

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations related to currency risk**

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

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

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

	1 US Dollar	1 Euro
The Bank's "Foreign Exchange Valuation Rate"		
31 March 2017	3,6275	3,8716
Prior Five Workdays:		
30 March 2017	3,6200	3,8930
29 March 2017	3,6350	3,9276
28 March 2017	3,5900	3,9016
27 March 2017	3,5775	3,8798
24 March 2017	3,6100	3,8854

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 3,6504 and 3,8979; respectively.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk:

	Euro	US Dollar	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	250.650	407.071	89.512	747.233
Banks	79.934	189.491	1.358	270.783
Financial Assets at Fair Value Through Profit and Loss (*)	31.333	38.422	2.962	72.717
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	46.527	1.041.924	-	1.088.451
Loans (**)	6.941.900	9.976.049	-	16.917.949
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	189.813	-	189.813
Derivative Financial Assets for Hedging Purposes	-	4.805	-	4.805
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	36.058	225.963	-	262.021
Total Assets	7.386.402	12.073.538	93.832	19.553.772
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	44.978	64.977	-	109.955
Funds Provided From Other Financial Institutions	7.350.200	8.759.304	-	16.109.504
Marketable Securities Issued (*****)	-	4.756.208	-	4.756.208
Miscellaneous Payables (****)	4.761	49.942	29	54.732
Derivative Financial Liabilities for Hedging Purposes	-	49.256	-	49.256
Other Liabilities (*****)	27.629	29.850	2.520	59.999
Total Liabilities	7.427.568	13.709.535	2.549	21.139.652
Net Balance Sheet Position	(41.166)	(1.635.997)	91.283	(1.585.880)
Net Off-Balance Sheet Position	46.174	1.626.448	(90.682)	1.581.940
Financial Derivative Assets	1.119.098	4.009.971	188.494	5.317.563
Financial Derivative Liabilities	(1.072.924)	(2.383.523)	(279.176)	(3.735.623)
Non-Cash Loans (*****)	836.719	781.237	14.459	1.632.415
Prior Period				
Total Assets	7.089.744	11.233.297	121.859	18.444.900
Total Liabilities	7.153.677	12.307.033	2.503	19.463.213
Net Balance Sheet Position	(63.933)	(1.073.736)	119.356	(1.018.313)
Net Off –Balance Sheet Position	73.730	1.052.712	(118.621)	1.007.821
Financial Derivative Assets	1.633.724	3.491.955	134.472	5.260.151
Financial Derivative Liabilities	(1.559.994)	(2.439.243)	(253.093)	(4.252.330)
Non-Cash Loans (*****)	714.093	730.990	13.677	1.458.760

(*) Exchange rate differences arising from derivative transactions amounting to TL 135.387 is deducted from "Financial Assets at Fair Value through Profit and Loss".

(**) Loans extended include TL 1.436.489 foreign currency indexed loans.

(***) Prepaid expenses amounting to TL 556 and forward foreign exchange purchase transaction rediscounts amounting to TL 223 have not been included in "Other Assets".

(****) Forward foreign exchange purchase transaction rediscounts amounting to TL 222 has not been included in "Miscellaneous Payables".

(*****) Marketable securities valuation increase fund amounting to TL (1.828) and exchange rate differences arising from derivative transactions amounting to TL 129.810 have not been included in "Other Liabilities". Borrower funds amounting TL 14.501 based on foreign currencies have been included in "Other Liabilities".

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk

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

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

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

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

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

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	417.528	-	-	-	-	340.182	757.710
Banks	238.156	341.133	-	-	-	12.171	591.460
Financial Assets at Fair Value Through Profit and Loss	51.911	132.548	139.125	49.001	10.343	-	382.928
Money Market Placements	24.846	-	-	-	-	-	24.846
Available-for-Sale Financial Assets	423.352	531.841	165.513	970.638	710.012	52.110	2.853.466
Loans	1.581.967	7.696.289	6.070.315	2.729.194	570.322	-	18.648.087
Held-to-Maturity Investments	-	372.385	836.833	-	189.813	-	1.399.031
Other Assets	-	562	6.145	10.369	3.928	733.351	754.355
Total Assets	2.737.760	9.074.758	7.217.931	3.759.202	1.484.418	1.137.814	25.411.883
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	547.068	17.789	-	-	-	-	564.857
Miscellaneous Payables	-	-	-	-	-	161.459	161.459
Marketable Securities Issued (***)	-	-	-	3.667.956	1.097.469	-	4.765.425
Funds Provided from Other Financial Institutions	1.074.135	5.990.568	5.378.764	1.688.646	2.066.890	-	16.199.003
Other Liabilities (**)	60.976	134.406	148.194	35.216	-	3.342.347	3.721.139
Total Liabilities	1.682.179	6.142.763	5.526.958	5.391.818	3.164.359	3.503.806	25.411.883
Balance Sheet Long Position	1.055.581	2.931.995	1.690.973	-	-	-	5.678.549
Balance Sheet Short Position	-	-	-	(1.632.616)	(1.679.941)	(2.365.992)	(5.678.549)
Off-Balance Sheet Long Position	76.379	-	-	-	561.431	-	637.810
Off-Balance Sheet Short Position	-	(144.227)	(412.151)	(22.241)	-	-	(578.619)
Total Position	1.131.960	2.787.768	1.278.822	(1.654.857)	(1.118.510)	(2.365.992)	59.191

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	0,50	-	3,94
Banks	0,01	1,68	-	12,69
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,78
Money Market Placements	-	-	-	12,47
Available-for-Sale Financial Assets	5,63	4,75	-	10,43
Loans	3,70	5,65	-	12,96
Held-to-Maturity Investments	-	5,59	-	10,79
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,25	1,32	-	9,94
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,71	-	-
Borrower Funds	0,25	0,50	-	6,00
Funds Provided From Other Financial Institutions (*)	0,91	2,20	-	8,12

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

	Euro	US Dollar	Yen	TL
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	0,50	-	3,94
Banks	-	1,85	-	11,00
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,78
Money Market Placements	0,03	-	-	11,00
Available-for-Sale Financial Assets	5,59	4,77	-	9,95
Loans	3,56	5,47	-	12,10
Held-to-Maturity Investments	-	5,59	-	10,35
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,27	0,52	-	7,86
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,25	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,85	2,08	-	8,12

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk

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

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	214.090	-	214.090
Quoted	214.090	-	214.090
Investment in Shares-Grade B	69.710	-	69.710
Quoted	69.710	-	69.710

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	224.536	-	224.536
Quoted	224.536	-	224.536
Investment in Shares-Grade B	69.496	-	69.496
Quoted	69.496	-	69.496

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk (continued)

Equity shares risk due from banking book (continued)

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(17.466)	(17.466)	-
Other Share Certificates	-	9.045	9.045	-	-	-
Total	-	9.045	9.045	(17.466)	(17.466)	-

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	-	-	-	(7.234)	(7.234)	-
Other Share Certificates	114	7.610	7.610	-	-	-
Total	114	7.610	7.610	(7.234)	(7.234)	-

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

I. Explanations related to the unconsolidated liquidity risk

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

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

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

1.d Information on unconsolidated liquidity risk mitigation techniques

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

1.e Information on the use of stress tests

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Unconsolidated Liquidity Coverage Ratio

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

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets	-	-	865.599	440.062
CASH OUTFLOWS				
2 Retail and Customers Deposits	90	21	4	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	90	21	4	1
5 Unsecured Funding other than Retail and Small Business Customers Deposits	1.058.294	811.258	904.630	709.253
6 Operational deposits	32.740	25.248	8.185	6.312
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.025.554	786.010	896.445	702.941
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.314.180	719.361	1.314.180	719.361
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.314.180	719.361	1.314.180	719.361
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	5.064.960	4.135.212	253.248	206.761
15 Other irrevocable or conditionally revocable commitments	5.086.233	4.379.549	729.623	603.189
16 TOTAL CASH OUTFLOWS			3.201.685	2.238.565
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.436.118	1.048.656	2.181.481	915.918
19 Other contractual cash inflows	1.348.055	926.725	1.348.055	926.725
20 TOTAL CASH INFLOWS	3.784.173	1.975.381	3.529.536	1.842.643
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			865.599	440.062
22 TOTAL NET CASH OUTFLOWS			800.421	559.641
23 Liquidity Coverage Ratio (%)			108	78

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Unconsolidated Liquidity Coverage Ratio (continued)

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			1.022.831	550.669
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured Funding other than Retail and Small Business Customers Deposits	417.200	280.910	332.390	201.681
6 Operational deposits	15.749	13.080	3.891	3.225
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	401.451	267.830	328.499	198.456
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.181.635	973.362	1.185.899	973.591
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.181.635	973.362	1.185.899	973.591
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	1.942.084	1.385.717	97.041	69.227
15 Other irrevocable or conditionally revocable commitments	4.339.382	4.005.943	522.783	481.727
16 TOTAL CASH OUTFLOWS			2.138.113	1.726.226
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.406.332	565.606	2.176.468	446.351
19 Other contractual cash inflows	1.228.903	533.092	1.232.984	536.125
20 TOTAL CASH INFLOWS	3.635.235	1.098.698	3.409.452	982.476
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			1.022.831	550.669
22 TOTAL NET CASH OUTFLOWS			534.528	743.750
23 Liquidity Coverage Ratio (%)			188	88

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

Main funding source of the Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 67% while 87% of it is provided under the guarantee of The Undersecretariat of Treasury of Turkish Republic. The average tenor of long term loans is 11 years. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 22% and alternative funding sources such as repo and syndication loans are also available.

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

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

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

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

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

None.

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

None.

NOTES TO THE FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	340.182	417.528	-	-	-	-	-	757.710
Banks	12.171	238.156	341.133	-	-	-	-	591.460
Financial Assets at Fair Value Through Profit and Loss	-	18.826	10.759	120.590	138.279	94.474	-	382.928
Money Market Placements	-	24.846	-	-	-	-	-	24.846
Financial Assets Available-for-Sale	-	7.246	163.252	186.186	1.377.296	1.067.376	52.110	2.853.466
Loans	-	321.060	1.369.728	3.711.732	8.659.767	4.585.800	-	18.648.087
Held-to-Maturity Investments	-	-	-	-	596.203	802.828	-	1.399.031
Other Assets	-	-	562	1.340	15.095	4.007	733.351	754.355
Total Assets	352.353	1.027.662	1.885.434	4.019.848	10.786.640	6.554.485	785.461	25.411.883
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	112.612	287.309	2.259.908	6.627.214	6.911.960	-	16.199.003
Money Market Borrowings	-	547.068	17.789	-	-	-	-	564.857
Securities Issued (****)	-	-	-	-	3.667.956	1.097.469	-	4.765.425
Miscellaneous Payables	-	-	-	-	-	-	161.459	161.459
Other Liabilities (**)	-	42.281	10.492	120.118	146.037	59.864	3.342.347	3.721.139
Total Liabilities	-	701.961	315.590	2.380.026	10.441.207	8.069.293	3.503.806	25.411.883
Liquidity Gap	352.353	325.701	1.569.844	1.639.822	345.433	(1.514.808)	(2.718.345)	-
Net Off-balance sheet Position	-	(8.504)	211	1.616	59.814	6.054	-	59.191
Financial Derivative Assets	-	1.759.060	1.304.702	2.793.053	7.909.601	5.030.761	-	18.797.177
Financial Derivative Liabilities	-	1.767.564	1.304.491	2.791.437	7.849.787	5.024.707	-	18.737.986
Non-cash Loans (***)	-	472	51.646	681.071	318.134	563.983	205.979	1.821.285
Prior Period								
Total Assets	378.148	1.391.553	1.387.905	3.614.367	9.889.301	6.534.524	805.775	24.001.573
Total Liabilities	-	1.105.249	309.013	2.200.631	10.125.068	6.870.634	3.390.978	24.001.573
Liquidity Gap	378.148	286.304	1.078.892	1.413.736	(235.767)	(336.110)	(2.585.203)	-
Net Off-balance sheet Position	-	7.406	399	782	38.040	12.062	-	58.689
Financial Derivative Assets	-	1.765.110	1.573.087	2.916.888	6.827.177	4.106.192	-	17.188.454
Financial Derivative Liabilities	-	1.757.704	1.572.688	2.916.106	6.789.137	4.094.130	-	17.129.765
Non-cash Loans (***)	-	21.227	5.182	33.578	551.991	508.482	548.750	1.669.210

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to leverage ratio

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

As of 31 March 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,79%. Leverage ratio is almost on the same level in the current and prior period.

b) Unconsolidated Leverage Ratio

		Current Period(*)	Prior Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	25.553.118	23.709.190
2	(Assets deducted from Core capital)	(109.438)	(100.807)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	25.443.680	23.608.383
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	495.443	216.502
5	Potential credit risk amount of derivative financial assets and credit derivatives	238.996	203.512
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	734.439	420.014
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	431.923	352.423
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	431.923	352.423
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	6.071.828	6.132.156
11	(Correction amount due to multiplication with credit conversion rates)	(2.518.755)	(3.174.771)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	3.553.073	2.957.385
	Capital and total risk		
13	Core Capital	2.953.593	2.899.693
14	Total risk amount (sum of lines 3, 6, 9 and 12)	30.163.115	27.338.205
	Leverage ratio		
15	Leverage ratio	9,79%	10,61%

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

NOTES TO THE FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of 31 March 2017:

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

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	22.190.413	19.232.205	1.775.233
2	Standardised approach	22.190.413	19.232.205	1.775.233
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	793.461	693.359	63.477
5	Standardised approach for counterparty credit risk	793.461	693.359	63.477
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	230.150	634.525	18.412
17	Standardised approach	230.150	634.525	18.412
18	Internal model approaches	-	-	-
19	Operational risk	1.221.150	1.070.988	97.692
20	Basic indicator approach	1.221.150	1.070.988	97.692
21	Standart approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	24.435.177	21.631.077	1.954.814

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20	-	27	-
Balances with the Central Bank of Turkey	10.457	747.233	161.276	616.771
Other	-	-	-	-
Total	10.477	747.233	161.303	616.771

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	10.457	4.206	161.276	3.995
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	743.027	-	612.776
Total	10.457	747.233	161.276	616.771

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

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

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

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SECTION FIVE (Continued)

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

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

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

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 March 2017 are presented in table below:

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

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

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SECTION FIVE (Continued)

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

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

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

2.a.1 Trading securities:

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

As of the reporting date, the Bank has no trading securities given as collateral or blockage (31 December 2016: None).

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

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

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

Held for Trading Financial Derivative Instruments	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	14.005	1.181	13.290	8.819
Swap Transactions	156.168	106.939	112.529	115.180
Futures Transactions	-	-	-	-
Options	-	99.984	-	125.627
Other	-	-	-	-
Total	170.173	208.104	125.819	249.626

Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TL denominated fixed rate assets. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. As of 31 March 2017, the fair value of such swaps is TL 92.819 with a total outstanding notional amount of 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 UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

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

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	305.672	260.849	350	1.695
Foreign	15.005	9.934	15.010	46.398
Branches and head office abroad	-	-	-	-
Total	320.677	270.783	15.360	48.093

3.b Information on foreign banks:

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

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	16.466	-	111.173	-
Treasury bills	-	-	-	-
Other debt securities	-	184.022	-	101.682
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	16.466	184.022	111.173	101.682

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

All available for sale financial assets given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.248.736 (31 December 2016: TL 1.252.789).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	440.511	808.225	497.581	755.208
Other	-	-	-	-
Total	440.511	808.225	497.581	755.208

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

Available for sale financial assets comprised of government bonds 54,49%, Eurobonds 36,13% and shares and other securities 9,38% (31 December 2016: government bonds 59,38%, Eurobonds 31,52% and shares and other securities 9,10%).

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

	Current Period	Prior Period
Debt securities	2.861.037	3.096.626
Quoted on a stock exchange	1.758.930	2.040.539
Unquoted	1.102.107	1.056.087
Share certificates	60.970	56.458
Quoted on a stock exchange	29.084	29.579
Unquoted	31.886	26.879
Other Impairment provision(-)	(68.541)	(82.662)
Total	2.853.466	3.070.422

The net book value of unquoted available for sale share certificates is TL 26.999 (31 December 2016: TL 21.992).

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	22.190	-	21.131	-
Corporate shareholders	22.190	-	21.131	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	212	-	217	-
Total	22.402	-	21.348	-

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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

Current Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	18.454.336	52.596	-	193.751	142.852	2.347
Corporation loans	5.918.826	-	-	9.242	9.242	-
Export loans	153.031	-	-	47.225	47.225	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.492.860	-	-	-	-	-
Consumer loans	212	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	9.889.407	52.596	-	137.284	86.385	2.347
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	18.454.336	52.596	-	193.751	142.852	2.347

The syndicated loans granted to a company amounting to USD 70.724.223 are classified under “Performing Loans and Other Receivables” as of 31 March 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.

**NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
Cash Loans		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	17.123.481	49.896	-	195.112	142.768	2.330
Corporation loans	5.464.266	-	-	8.693	8.693	-
Export loans	157.895	-	-	44.994	44.994	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.263.509	-	-	-	-	-
Consumer loans	217	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	9.237.594	49.896	-	141.425	89.081	2.330
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	17.123.481	49.896	-	195.112	142.768	2.330

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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of amendments related to the extension of the payment plan		
Extended for 1 or 2 times	52.596	139.577
Extended for 3-4 or 5 times	-	3.275
Extended for more than 5 times	-	-

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

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
The time extended via the amendment on payment plan		
0-6 Months	-	-
6 Months -12 Months	-	-
1-2 Years	-	31.561
2-5 Years	52.596	94.864
5 Years	-	16.427

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

5.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	1.021.526	-	47.225	47.225
Non-specialized loans	1.021.526	-	47.225	47.225
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	17.432.810	52.596	146.526	97.974
Non-specialized loans	17.432.810	52.596	146.526	97.974
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	645.279	-	44.994	44.994
Non-specialized loans	645.279	-	44.994	44.994
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	16.478.202	49.896	150.118	100.104
Non-specialized loans	16.478.202	49.896	150.118	100.104
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TL	30	182	212
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	30	182	212
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	30	182	212

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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

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)	-	-	-
Total	18	199	217

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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

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

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	181.379	125.356
Private	18.466.708	17.193.237
Total	18.648.087	17.318.593

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	18.574.461	17.246.461
Foreign loans	73.626	72.132
Total	18.648.087	17.318.593

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	337.958	346.306
Indirect loans granted to subsidiaries and associates	-	-
Total	337.958	346.306

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	6.065	3.092
Loans and receivables with doubtful collectability	1.724	-
Uncollectible loans and receivables	45.348	45.347
Total	53.137	48.439

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
(Gross amounts before provisions)	-	-	10.707
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.707
Prior Period			
(Gross amounts before provisions)	-	-	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
Current Period			
Prior period end balance	3.092	-	45.347
Additions (+)	4.895	1	1
Transfers from other categories of non-performing Loans (+)	-	1.723	-
Transfers to other categories of non-performing loans (-)	(1.723)	-	-
Collections (-)	(199)	-	-
Write-offs (-)			
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	6.065	1.724	45.348
Specific provision (-)	(6.065)	(1.724)	(45.348)
Net Balances on Balance Sheet	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	-	1.164	-
Specific Provision (-)	-	(1.164)	-
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	1.362	-	-
Specific Provision (-)	(1.362)	-	-
Net Balance on Balance Sheet	-	-	-

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SECTION FIVE (Continued)

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

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

5. Information on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	6.065	1.724	45.348
Specific Provision Amount (-)	(6.065)	(1.724)	(45.348)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	3.092	-	45.347
Loans to Real Persons and Legal Entities (Gross)	(3.092)	-	(45.347)
Specific Provision Amount (-)	-	-	-
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

5.k Main principles of liquidating loans and receivables:

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

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

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

5.m Other explanations and disclosures:

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

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SECTION FIVE (Continued)

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

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

6. Information on held-to-maturity investments

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	189.810	-	186.736
Investments Subject to Repurchase Agreements	362.306	-	129.784	-
Total	362.306	189.810	129.784	186.736

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

	Current Period	Prior Period
Government Bonds	1.399.031	1.375.729
Treasury Bills	-	-
Other Government Securities	-	-
Total	1.399.031	1.375.729

6.3 Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities		
Quoted at stock Exchange	1.209.218	1.188.990
Unquoted at stock Exchange	192.287	186.739
Value Increase/ (Decrease)	(2.474)	-
Total	1.399.031	1.375.729

6.4 Movement of held to maturity investments within the year:

	Current Period	Prior Period
Balances at Beginning of Period	1.375.729	872.602
Foreign currency differences on monetary assets	7.289	31.581
Purchases during the period (*)	-	417.241
Cash obtained from sale and amortization	(392)	(1.597)
Value changes	(2.474)	-
Interest income accruals	18.879	55.902
Balances at End of Period	1.399.031	1.375.729

(*)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 UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net)

7.a.1 Information on associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,39
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	69,06
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.104.997	142.401	674	59.463	-	13.787	9.946	-
2	İş Finansal	4.632.041	773.331	16.620	83.194	-	18.486	24.422	180.190
3	İş Girişim	259.675	256.957	62	2.508	1.201	889	1.848	20.442
4	Terme (*)	16.408	3.196	218	-	-	(455)	114	-
5	Ege Tarım	10.770	10.506	7.910	26	-	10	201	-

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

7.a.2 Information on associates:

	Current Period	Prior Period
Balance at the Beginning of the Period	222.908	156.008
Movements During the Period	(8.838)	66.900
Purchases	-	-
Bonus Shares Obtained	-	19.993
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase	-	46.907
Provision for Impairment	(8.838)	-
Balance at the End of the Period	214.070	222.908
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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SECTION FIVE (Continued)

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

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

Information on associates sold in the current period

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

Information on associates purchased in the current period

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

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	11.882	11.882
Leasing Companies	180.190	190.820
Financial Service Companies	-	-
Other Financial Associates	20.443	18.651

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	200.633	209.471
Associates quoted on foreign stock exchanges	-	-

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SECTION FIVE (Continued)

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

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

8. Information on subsidiaries (net)

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

Current Period		
	YF (*)	TSKB GYO (*)
CORE CAPITAL		
Paid-in Capital	63.366	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	6.858	(29)
Current and Prior Years' Profit/Loss	2.528	26.638
Leasehold Improvements (-)	(648)	-
Intangible Assets (-)	(1.071)	(19)
Total Core Capital	73.547	185.970
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	73.547	185.970

(*) The information is obtained from financial statements subject to consolidation as of 31 March 2017.

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

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

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

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

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SECTION FIVE (Continued)

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

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

8. Information on subsidiaries (net) (continued)

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

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

8.b.1 Information on subsidiaries:

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

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	18.014	14.386	1.245	276	-	1.516	4.429	-
2	YF (*)	977.969	75.266	1.958	6.340	206	2.691	433	-
3	TSKB GYO (*)	433.519	185.989	420	111	-	(12.179)	(2.746)	58.056
4	TSKB SD	1.416	1.112	14	49	-	(202)	(152)	-

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

8.b.2 Movement schedule for subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	129.363	122.699
Movements in the period	177	6.664
Purchases	-	1.000
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase	177	5.664
Provision for impairment	-	-
Balance at the end of the period	129.540	129.363
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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SECTION FIVE (Continued)

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

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

8. Information on subsidiaries (net) (continued)

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

Subsidiaries disposed in the current period

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. , which is the subsidiary of the Bank, is currently being involved in merger process with İş Gayrimenkul Yatırım Ortaklığı A.Ş. Information related to the process is detailed in Section Five Note VI.

Subsidiaries purchased in the current period

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

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

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	128.161	127.984

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	58.056	57.879
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (31 December 2016: None).

10. Information on finance lease receivables (net)

10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2.741	2.393	1.552	1.367
Between 1- 4 years	9.079	7.698	1.704	1.455
More than 4 years	7.243	6.108	1.137	970
Total	19.063	16.199	4.393	3.792

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

	Current Period	Prior Period
Gross investments in finance leases	19.063	4.393
Unearned revenue from finance leases (-)	(2.864)	(601)
Cancelled finance leases (-)	-	-
Net investments in finance leases	16.199	3.792

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SECTION FIVE (Continued)

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

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

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

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

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

11. Explanation on derivative financial assets held for hedging purposes

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	4.805	-	272
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	4.805	-	272

As of 31 March 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	10.229.550	4.805	(49.256)	7.747.800	272	(51.433)
FC	10.229.550	4.805	(49.256)	7.747.800	272	(51.433)
TL	-	-	-	-	-	-

11.a.1 Information on fair value hedge accounting

Current Period		Type of Risk	Fair Value Change of Hedged Item(*)	Fair Value of Hedging Instrument(*)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item			Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	35.013	(40.724)	-	(5.711)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	4.046	(4.525)	-	(479)

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

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SECTION FIVE (Continued)

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

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

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

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

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

12. Explanations on tangible assets (net)

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

13. Information on intangible assets

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

14. Information on investment property

The Bank has no investment property (31 December 2016: None).

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SECTION FIVE (Continued)

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	17.631	17.378
Other provisions	20.800	18.000
Marketable securities	-	2.001
Employee benefit provision	2.209	1.869
Valuation of derivative instruments	-	-
Other	441	568
Total Deferred Tax Asset	41.081	39.816
Deferred tax liability:		
Marketable securities	(1.460)	-
Valuation of derivative instruments	(8.437)	(3.635)
Loan commissions accrual adjustment	(10.040)	(8.791)
Useful life difference of fixed assets	(356)	(362)
Other	(3.374)	(12.833)
Total Deferred Tax Liability	(23.768)	(25.621)
Net Deferred Tax Asset	17.313	14.195

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

The Bank has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2016: None).

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

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2016: None).

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SECTION FIVE (Continued)

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

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

16. Explanation on assets held for sale

In the current period, the Bank has no assets held for sale (31 December 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 liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	13.702	1.151	13.094	4.779
Swap Transactions	122.057	74.239	97.551	79.597
Futures Transactions	-	-	-	-
Options	-	99.918	-	125.627
Other	-	-	-	-
Total	135.759	175.308	110.645	210.003

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SECTION FIVE (Continued)

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

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

3. Information on funds borrowed

3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	116.442	-	73.741
From Foreign Banks, Institutions and Funds	98.718	15.983.843	100.083	15.667.143
Total	98.718	16.100.285	100.083	15.740.884

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	116.402	-	73.741
Medium and long-term	98.718	15.983.883	100.083	15.667.143
Total	98.718	16.100.285	100.083	15.740.884

3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	3.627.500	-	3.490.000
Cost	-	3.613.141	-	3.476.185
Book Value	-	3.667.956	-	3.486.732

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

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

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

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

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

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SECTION FIVE (Continued)

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

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

5. Informations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2016: None).

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 12 cars and 215 computers and 27 tablets are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2016: 2 head office buildings, 1 branch, 12 cars and 215 computers and 27 tablets under operational leasing).

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(49.256)	-	(51.433)
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	(49.256)	-	(51.433)

7. Explanations on provisions

7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	177.503	178.463
Provisions for First Group Loans and Receivables	153.556	155.061
Provisions for Second Group Loans and Receivables	3.855	3.902
Provisions for Non-Cash Loans	3.008	2.714
Other	17.084	16.786

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

The foreign exchange losses on the foreign currency indexed loans amount to TL 1.758 (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 of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 583 (31 December 2016: TL 583).

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SECTION FIVE (Continued)

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

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

7. Information on provisions (continued)

7.d Information on other provisions (continued):

7.d.1 Provision for possible losses:

The Bank has no provision for possible provisions (31 December 2016: None).

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

	Current Period	Prior Period
Other Provisions (*)	104.583	90.583
Total	104.583	90.583

(*) Other provisions balance includes amount to TL 104.000 for the risks related to loan portfolio, and amount to TL 583 for undemnified non-cash loans (31 December 2016: TL 90.000 and TL 583 respectively).

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate tax payable	42.396	-	5.066	-
Deferred tax liability	-	-	-	-
Total	42.396	-	5.066	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	42.396	5.066
Taxation of securities	632	334
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	4.734	3.374
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	119	130
Other	11.111	1.320
Total	58.992	10.224

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	44	28
Unemployment insurance-Employer	89	57
Other	-	-
Total	133	85

8.b Information on deferred taxes liabilities:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION FIVE (Continued)

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

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

9. Explanations on liabilities regarding assets held for sale

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

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

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

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.050.000	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	2.050.000	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 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 applications to BRSA and CMB related to increase has been performed, and the process has not been finalised as of report date.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)***SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. Explanations and disclosures related to the liabilities (continued)****11. Information on shareholders' equity (continued)****11.d Information on share capital increases from capital reserves:**

None (31 December 2016: None).

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

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

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

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

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

11.g Information on preferred shares:

The Bank has no preferred shares (31 December 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	7.916	-	16.577	-
Valuation Differences	(29.228)	(1.828)	(26.515)	(26.774)
Foreign Exchange Difference	4.982	-	4.243	-
Total	(16.330)	(1.828)	(5.695)	(26.774)

NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. Explanations related to the off-balance sheet items

1. Explanation on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	739.966	78.479
Commitments for Use Guaranteed Credit Allocation	-	-
Commitments for Stock Brokerage Purchase and Sales	85.792	68.274
Commitments for Letter of Credit	120.599	118.050
Commitments from Forward Short Term Borrowing and Transfers	-	-
Capital commitments for subsidiaries and associates (*)	74.974	68.367
Commitments for option forward premiums	-	-
Other	214.388	204.417
Total	1.235.719	537.587

(*) "As of 25 July 2016, the Bank has paid EUR 1.1 million share for which is promised to buy shares with the nominal value of EUR 20 million to the fund which is planned to be created by the European Investment Fund – EIF with the targeted size of EUR 335 million and established with the name of Turkish Growth and Innovation Fund – TGIF." As of 21 November, the Bank has paid 0.3 million EUR to fund for the other part of shares.

(**)The Bank has decided to participate in capital of Credit Guarantee Fund (KGF) and after the legal process is passed through, the amount of TL 4.897 participation capital from Credit Guarantee Fund will be materialized.

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 762.379 (31 December 2016: TL 693.817).

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

As of the reporting date, total letters of guarantee given by the Bank is TL 1.058.906 (31 December 2016: TL 975.393).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	739.808	741.806
With maturity of one year or less than one year	62.234	32.575
With maturity of more than one year	677.574	709.231
Other non-cash loans	1.081.477	927.404
Total	1.821.285	1.669.210

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION FIVE (Continued)

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

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

2. Explanation related to derivative financial instruments

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

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 39 legal cases against the Bank which are amounting to TL 3.094 as of the reporting date (31 December 2016: TL 2.115 - 37 legal cases).

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

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION FIVE (Continued)

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

IV. Explanations and disclosures related to the income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	31.902	2.250	10.346	1.579
Medium and long term loans	46.469	201.518	37.914	134.568
Interest on non-performing loans	-	48	961	46
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	78.371	203.816	49.221	136.193

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

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (*)	933	-	844	-
Domestic banks	3.519	727	39	408
Foreign banks	442	41	-	131
Branches and head office abroad	-	-	-	-
Total	4.894	768	883	539

(*) 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	233	-	597	26
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	43.846	14.249	58.951	10.875
Investments Held to Maturity	32.261	2.816	24.318	2.217
Total	76.340	17.065	83.866	13.118

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 necessary. The subjected securities is evaluated based on estimated inflation rate of 8,13% in respect of 31 March 2017.

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

	Current Period	Prior Period
Interest and commission received from associates and subsidiaries	4.089	1.916

NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	2.493	7.943	2.754	5.565
The Central Bank of Turkey	-	-	-	-
Domestic banks	1.220	655	1.468	357
Foreign banks	1.273	7.288	1.286	5.208
Branches and head office abroad	-	-	-	-
Other financial institutions	689	62.815	381	39.595
Total (*)	3.182	70.758	3.135	45.160

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

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

The Bank has no interest expense to its associates and subsidiaries (31 December 2016: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (*)	-	50.553	-	26.399

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

3. Information on dividend income

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

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	486.709	333.181
Gains on capital market operations	1.286	3.836
Gains on derivative financial instruments (*)	265.017	220.599
Foreign exchange gains	220.406	108.746
Losses (-)	(487.757)	(345.808)
Losses on capital market operations	(805)	(227)
Losses on derivative financial instruments (*)	(271.092)	(306.372)
Foreign exchange losses	(215.860)	(39.209)

(*) The foreign exchange gain from derivative transactions amounting to TL 133.082 is presented in "Gains on derivative financial instruments" (31 March 2016: 73.890 TL), foreign exchange loss from derivative transactions amounting to TL (143.702) is presented in "Losses on derivative financial instruments" (31 March 2016: TL (172.033)).

NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released	1.158	6.014
Gains on Sale of Assets	70	59
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	70	59
From Other Asset Sales	-	-
Other	681	3.703
Total	1.909	9.776

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	4.897	76
III. Group	4.895	1
IV. Group	1	-
V. Group	1	75
General provision expenses	-	-
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	2.204	1.510
Trading securities	-	-
Investment securities available for sale	2.204	1.510
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (joint vent.)	-	-
Investment securities held to maturity	-	-
Other (*)	14.000	11.500
Total	21.101	13.086

(*) Other provision contains amounting to TL 14.000 allocated for the risks related to the loan portfolio. (Prior Period TL:11.500)

**NOTES TO THE FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

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

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	19.928	17.722
Reserve for employee termination benefits	380	425
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	815	744
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	141	106
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	5	5
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	5.871	5.119
Rent expenses	2.418	2.191
Maintenance expenses	104	83
Advertisement expenses	347	226
Other expenses	3.002	2.619
Loss on sale of assets	-	-
Other	6.949	3.991
Total	34.089	28.112

8. Explanation on tax provision for continued and discontinued operations

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

The Bank's current tax charge for the period is TL 42.399 (31 March 2016: TL 36.010). Deferred tax benefit is TL 8.605 (31 March 2016: TL 6.234 deferred tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 8.605 (31 March 2016: TL 6.234 deferred tax charge).

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

As of 31 March 2017, the deferred tax benefit was calculated based on temporary timing differences, is TL 8.605 (31 March 2016: TL 6.234 benefit). There is no deferred tax benefit or charge reflected in the income statement on carry forward tax losses, tax deductions and exceptions (31 March 2016: None).

In addition, TL 5.487 deferred tax effect is calculated over the fair value differences on available for sale securities (31 March 2016: TL 7.379).

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SECTION FIVE (Continued)

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

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

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

As of 31 March 2017, the current net profit of the Bank has increased by 6,38% compared to the prior net profit (31 March 2016: 40,51%).

10. Information on net profit/loss

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

The Bank has generated TL 395.394 of interest income, TL 171.831 of interest expenses and TL 2.230 of net fee and commission income from banking operations (31 March 2016: TL 328.490 interest income, TL 133.087 interest expense, TL 1.421 net fee and commission income).

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

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

10.c Minority share of profit and loss:

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (31 March 2016: None).

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

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

NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

V. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	346.306	7.878	21.131	-	90.035	-
Balance at End of Period	337.958	8.286	22.190	-	100.627	-
Interest and Commission Income	3.973	116	141	-	1.099	-

1.b Prior Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	451.705	322	53.167	117.412	91.272	-
Balance at End of Period	346.306	7.878	21.131	-	90.035	-
Interest and Commission Income (*)	1.915	1	290	108	988	-

(*) The information is related to 31 March 2016.

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

The Bank is not authorized to accept deposits.

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

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	849.378	116.656	-	-	-	-
End of the Period	519.085	849.378	-	-	-	-
Total Profit / Loss (*)	9.501	(10.689)	-	-	-	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Prior Period includes the informations belong to 31 March 2016.

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

Benefits provided to the key management personnel in the current period amount to TL 6.112 (31 March 2016: TL 4.563).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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

SECTION FIVE (Continued)

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

VI. Explanations and notes related to subsequent events

At the meeting of Board of Directors dated 18 April 2017 of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.(Company), which is the subsidiary of the Bank, considering the synergy to be created as a result of the merger with İş Gayrimenkul Yatırım Ortaklığı A.Ş. it has been decided to merge by the acquisition of İş Gayrimenkul Yatırım Ortaklığı A.Ş. with all assets and liabilities of the Company as a whole subject to the approval of Capital Markets Board("CMB") and General Assembly, 134. and related articles of Turkish Commercial Code No.6102, articles 18., 19. and 20. of Corporate Tax Law no.5520 due to the Capital Markets Law no.6362 and shares are traded in Borsa İstanbul A.Ş. ("Borsa İstanbul") in accordance with the related articles 23. and 24. issued by CMB, Communiqué on the Common Principles Regarding Significant Transactions and the Retirement Right (II-23-1), Communiqué on Merger and Demerger (II-23-2), and other relevant legislations.

SECTION SIX

AUDITORS' REVIEW REPORT

I. Explanations on the review report

The unconsolidated financial statements for the period ended 31 March 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 26 April 2017 is presented preceding the 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 Bank's operations.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

OVERVIEW

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

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

As of March 22, 2017, Mr. Kemal Saç has resigned from his position, to which Mr. Mithat Rende was appointed in April 4, 2017. Mr. H. Ersin Özince was elected as a Member and the Chairman of the Board on April 7, 2017 in place of Mr. Adnan Bali, who resigned from his position as the Board Member and Chairman of the Board.

The resumes of Mr. H. Ersin Özince and Mr. Mithat Rende are provided below:

H. Ersin Özince

H. Ersin Özince was born in Havran in 1953 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at İşbank, Mr. Özince was promoted to the post of Deputy Chief Executive in 1994 responsible for Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. Mr. Özince was appointed as the 15th Chief Executive Officer of İşbank on 28 October 1998.

Elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, Mr. Özince has been serving as the Chairman since 1 April 2011. He also serves as the Chairman of the Remuneration Committee since 29 December 2011, as a member of the Audit Committee, T.R.N.C. Internal Systems Committee and an alternate member of the Credit Committee since April 4 2017.

Mr. Özince served as the Chairman of the Board of Directors of the Banks Association of Turkey between 2 November 1998 - 31 May 2000, and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. between 17 April 2009 – 1 April 2011, and the Chairman of the Board of Directors of T. Şişe ve Cam Fabrikaları A.Ş. between 28 November 1998 - 14 April 2006, and 1 April 2011 - 6 April 2017.

In addition to his duties at the Bank, he serves as the Chairman of the Board of Türkiye İş Bankası A.Ş. Members Supplementary Pension Fund, and as a member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA Foundation), Mr. Özince is also the Chairman of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. since 7 April 2017.

Mithat Rende

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of the University of Ankara. After graduation he worked in the Ministry of Commerce and then was admitted to the Ministry of Foreign Affairs, where he held posts in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London. Ambassador Rende also served as the Director of the Human Rights Department at the Ministry after completing the post-graduate program in Security and International Relations at the London-Royal College of Defence Studies. In 2005 he was appointed as Deputy Director General of Energy Environment and Water Affairs, served as Chairman of the Trade and Transit Working Group of the Energy Charter Conference in Brussels between 2005 and 2008, and was appointed as Ambassador to Doha (Qatar) in 2007. Ambassador Rende served as Director General of Multilateral Economic Affairs and Turkey's Chief Negotiator for Climate Change between 2010-2013.

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

He was also a member on the Turkish Nuclear Energy Commission during the same period. Ambassador Rende was appointed as the OECD Permanent Representative of Turkey in 2013, and was elected as Chairman of the Executive Committee of the OECD in 2014. He retired in 2016 and since April 4, 2017 has been a member of the TSKB Board of Directors.

Information on the Bank's Board Meetings

The Board of Directors made 14 resolutions between January 1, 2017 - March 31, 2017. Members of the Board of Directors were sufficiently involved in the meetings.

B. ASSESSMENTS OF THE BOARD CHAIRMAN FOR THE PERIOD

The first quarter of 2017 was marked by a continued recovery in the global economy and a rather positive trend in the leading economic indicators and expectations. Global liquidity was preserved due to the loose monetary policies by the European and Japanese central banks despite the tightening by the U.S. Federal Reserve (Fed), coupled with positive growth expectations to support capital inflow to developing countries. The U.S. foreign trade and fiscal policies were closely monitored in the aftermath of the U.S. presidential election while the elections in the Netherlands and France as well as the official start of the Brexit process in the UK stood out as the main items on the European Union agenda.

In Turkey, on the other hand, the positive impacts of public investments in addition to incentives and measures introduced by the authorities weighed economy. Turkish economy grew by 2.9% in 2016 thanks to the growing domestic demand in the last quarter. An estimated growth of 3-3.5% is expected in 2017. During the first quarter, inflation reached 11% on an annual basis due to the cost pressure from rising consumer prices and the volatile food prices. In the upcoming period, cost-side developments and the recovery in domestic demand constitute upside risks for inflation while the balance struck in exchange rates through the recent policy measures by the Central Bank of the Republic of Turkey (CBRT) and the increasing global risk appetite in addition to seasonal factors and the declining negative base effect might restrict potential increases in inflation. Introducing a tightening in monetary policy as a measure against the rising inflation, CBRT shifted market funding from the quotation method to a late liquidity window facility and increased the late liquidity window lending rate twice to reach 11.75% from 10%. The weighted cost of funding thus rose to 11.5% from 8.5% in the first quarter.

Despite the downgrading of Turkey's credit rating first by Moody's and then by Fitch and the increasing cost of funding, the banking industry was able to produce a robust performance in the first quarter of 2017 in terms of both profitability and loan growth. Loan operations recorded a recovery under the impact of economic incentives, chiefly the credit guarantee fund, and asset quality was maintained. Achieving a loan growth of 5.5% in the first quarter, the banking industry will continue to undertake key roles in the Turkish economy through the services and products it offers.

TSKB, an important player in investment and development banking, attained quite successful operational results in the first quarter in accordance with its year-end guidances. In the upcoming period, the Bank will maintain and further improve its support to the economy and employment in view of its mission.

Sincerely,

Chairman of the Board

H. Ersin Özince

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

C. ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD

In the first quarter of 2017 when markets plateaued following a challenging year marked by domestic and international fluctuations, our Bank sustained its successful performance. The period also included the General Assembly meeting and saw the Bank break many new grounds amidst a quite busy operational agenda.

In January, we announced our guidances for the next year which were determined according to our strategic plan, at the heart of which lies healthy growth and efficiency. For 2017, we have targeted an fx-adjusted loan growth of 10-13%, maintaining our asset quality and profitability at the same time. The results we have achieved so far indicate that we will succeed in realizing our year-end guidances.

We also continue to raise the bar with respect to sustainability practices, which is our long-term corporate commitment. On March 9, we emerged as the first bank in the Turkish finance industry to launch "Integrated Reporting", which is implied as the next generation of reporting. "Integrated Reporting" brings in a holistic approach to evaluate operations, funds, products and services, as well as the added value already available or to be made available, and offers those to stakeholders. We believe it will be a part of everyday life at any company in the near future and become a standard and we feel proud to be ready for the future in advance today.

Another leading sustainability practice we undertook during the period was our issuance of a subordinated sustainable bond. Our subordinated bond issuance of March 28, 2017 worth USD 300 million on a 10-year maturity attracted 4 times demand. This transaction crowned TSKB as the first bank in the world to issue a "sustainable" subordinated loan and enabled the Bank to strengthen its equity as well as creating additional funds for further sustainability investments. The proceeds from the bond issuance will be used to support renewable energy and resource efficiency investments addressing climate change as well as healthcare and education projects for social good.

In the first quarter, we joined the "Credit Guarantee Fund" (KGF), which aims to facilitate the access of SMEs and non-SME enterprises to funding. We believe our involvement in the KGF mechanism as a development and investment bank is critical. The support we will extend to private sector investments under the KGF mechanism is expected to contribute positively to our customer base and capital structure alike.

Our operations in the first quarter produced the desired, highly successful consolidated results in line with what we anticipated. TSKB achieved a loan growth of 3.5% on an fx-adjusted basis and 8% in TL terms, and reinforced this growth by a 6% expansion in total assets parallel with the Bank's healthy and sustainable growth understanding. Our shareholders' equity rose by 15% year-on-year to reach TRY 3 billion. As of March 31, 2017, the Bank posted a net profit of TRY 141 million with a 6% annual increase.

We will keep on supporting Turkey's development through the funds we will obtain on international markets and from development finance institutions during the year in addition to our existing funds. As we work to achieve our targets, TSKB will continue to create value for all its stakeholders and maintain its position among the leading exemplary organizations in corporate governance and sustainability as it has been the case so far.

Sincerely,

CEO and Board Member

Suat İnce

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

- I. Interim period activity report included chairman of board of directors and CEO's assessments for the interim activities (continued)**
- D. ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD**

Economic Developments in the First Quarter of 2017

Turkish economy grew by 3.5% year-on-year in the last quarter of 2016 and by 2.9% overall in 2016. Strong domestic demand stood out as the main driver for growth in the last quarter of the year. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 3.8% in the last quarter of 2016 when compared to the previous quarter. As of the end of 2016, the size of Turkish economy stood at TRY 2.59 trillion (USD 857 billion).

Inflation data by Turkstat revealed that annual inflation based on consumer prices was 11.29% as of March 2017. Completing 2016 at 8.53%, the annual inflation rose mainly due to the 25% increase in USD/TRY rate between October and March, the negative base effect by the decrease in food prices during the previous year and the upward move of oil prices.

According to Turkstat data, the industrial production grew by 4.2% in January 2017 on a year-on-year basis but shrunk by 1.7% in February 2017. Thus, the increase in the first two months stood at 1.2%. Indices adjusted for calendar effects showed that industrial production increased by 2.6% in January and 1% in February year-on-year.

The strong growth in iron and steel, energy and automotive exports and the decrease in textiles and gold exports in the first two months of the year led to an increase of 6.7% in total exports which stood at USD 23.3 billion. During the period, energy imports rose by 42% and gold imports surged by 160%, causing the total imports to increase by 8.2% and reach USD 31.4 billion. This led the foreign trade deficit to rise to USD 8 billion with an increase of 15%. In the first two months, the rate of exports meeting imports stood at 74.5%.

Current accounts deficit increased by 27% to reach USD 5.3 billion in the first two months of 2017. The annual deficit was USD 32.6 billion in 2016, which constituted 3.8% of the GDP, and increased to USD 33.7 billion by the end of February 2017.

Ministry of Finance data showed that the central administration budget had a TRY 15 billion deficit in the first quarter of 2017. The budget previously had a TRY 46 million surplus in the first quarter of 2016. In the first quarter of 2017, tax revenues increased by 12% to reach TRY 121 billion and primary expenditures rose by 22% to stand at TRY 141 billion. On the other hand, primary surplus fell by 76% and stood at TRY 3.9 billion in the first quarter of 2017.

Financial Markets

Markets started the year under improved growth expectations despite the increasingly prevalent protectionist discourse under the impact of loosening plans in U.S. fiscal policies ahead of the elections in Europe and the start of the Brexit process in the UK. Such expectations led to an increase in commodity prices. Towards the end of the period, the weakening expectations on tax incentives in the U.S. and the increasing geopolitical risks enabled a partial recovery of the rise in commodity prices. In the last two years, the Fed increased interest rates annually and the last increase was in March following a 3-month break. The European Central Bank, on the other hand, decreased its monthly purchasing of bonds to EUR 60 billion starting from April 2017 and extended it until December 2017. Recovery in growth expectations reflected positively on stock prices, with the Emerging Markets Index (MSCI EM) rising by 11%, European exchanges (Stoxx600) by 5%, and the U.S. exchange (S&P500) by 5.5%. Rising commodity and oil prices resulted in an increased inflation expectation and kicked off a flight from bonds. 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 2.39 by the end of period. The IIF data pointed out that the improved global growth expectations and attractive bond yields fueled the risk appetite, and the emerging markets saw a capital inflow of USD 58 billion in the first quarter of 2017. A USD 4.3 billion capital outflow was previously observed on a year-on-year basis.

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

Domestically, the developments pertaining to the referendum, the downgrading of credit ratings, government incentives to support growth, employment and investments, and the establishment of the Sovereign Wealth Fund were the top items on a busy agenda for the first quarter of the year. To control inflation and curb volatility in exchange rates, the Central Bank increased the marginal funding rate to 9.25% from 8.50%. Furthermore, it changed its market funding mechanism from the quotation method to the late liquidity window facility, the rate of which it shifted to 11.75%, thus raising the weighted average cost of funding to 11.5% from 8.3%. Stocks presented a positive outlook mainly due to capital inflow into emerging markets while the rising inflation and tightening steps by the Central Bank increased the interest rates for bonds. Starting the period at 3.52, USD/TRY rate surged to 3.94 during the period but completed it at 3.63 owing to the tightening measures by the Central Bank. The two-year benchmark bond interest started the first quarter at 10.63% and finished it at 11.30%. BIST-100 completed the quarter at 88,647 with an increase of 13.8%.

Banking Sector

In the first quarter of 2017, total loans grew by 5.5% on a nominal basis, and by 4.1% on an fx-adjusted basis. This growth was due to a rise in TRY-denominated loans, which grew by 8.0% in the first quarter. FX-denominated loans fell by 2.1% on fx-adjusted basis. The growth in TRY loans were driven by the installment commercial loans, which surged by 21.4%. The increase in total TRY-denominated corporate loans stood at 10.9% in the first quarter while consumer loans increased by 4.3% under the impact of housing and general purpose loans. In the last two weeks of March, the signing of the protocol that increased the surety support by the Credit Guarantee Fund led to an 11.1% increase in installment commercial loans and a 4.3% increase in total TRY-denominated corporate loans in only two weeks. The acceleration in weekly growth rates also brought about an increase to 15.6% in the 13-week average of annualized weekly increase in total loans, an indicator for 2017 performance. An analysis of the loan growth rate in the last 12 months shows that the rate plummeted to 7.8% at the end of July 2016 but completed the year at 9.5% and rose to 14.4% as of March 2017.

In the first quarter, deposits grew by 4.6% on a nominal basis, and by 2.8% on fx-adjusted basis. FX deposits increased by 6.8% on fx adjusted basis while TRY deposits fell by a limited 0.3%. The loan-to-deposit ratio in the sector rose to 118.4% from 117.4% compared to 2016 year-end.

Change YTD	In TRY	Fx- Adjusted Basis
Loans	5,5%	4,1%
Deposits	4,6%	2,8%

Source: BRSA Weekly Bulletin, March 31, 2017

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

E. 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 TRY 1,697,437,629.27 out of 205,000,000,000 shares corresponding to the Bank's total capital of TRY 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 Dişli, Mr. Murat Bilgiç, and Mr. Uygar 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 Communique No.II-17.1 by the CMB.

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

F. HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

Assuming key roles in the development of Turkish capital markets, TSKB successfully completed the initial public offering of Mistral REIT during the first quarter. Led by TSKB and co-led by Yatırım Finansman Securities, the initial public offering of Mistral REIT took place on January 12-13, 2017 and received three times demand. The size of the IPO was TRY 53,625,000 while the total demand received was equal to TRY 164,132,837.

TSKB, the leading organization in sustainable banking, continued to break new grounds during this period. On March 9, the Bank emerged as the first bank in the Turkish finance industry to launch "Integrated Reporting". On the other hand, the Bank's subordinated sustainable bond issuance of March 28, 2017 was designed as a combination of conventional bond properties and the sustainability dimension and marked a globally groundbreaking issuance. The subordinated sustainable bond issuance worth USD 300 million on a 10-year maturity attracted 4 times demand.

Strengthening its equity base as well as creating additional funds for sustainability investments, the Bank plans to use the funds from this issuance to support renewable energy and resource efficiency investments addressing climate change as well as healthcare and education projects for social good.

In the same period, the Bank joined the "Credit Guarantee Fund" (KGF), which aims to facilitate the access of SMEs and non-SME enterprises to funding. It is anticipated that the advantages of the KGF mechanism will be used to expand our customer base and strengthen our capital structure.

Fitch Ratings, the international credit rating agency, downgraded Turkey's international credit rating to one notch below the investable grade on January 27, 2017. In addition, Fitch subsequently updated the credit ratings of Turkish banks including TSKB. The Bank's long-term FX credit rating was revised from BBB- to BB+ while its outlook was updated as "stable".

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 TRY 82,000,000, which corresponds to 4% of the paid-in capital, out of TRY 432,000,000, the total of primary and secondary dividends, be distributed to shareholders in cash, and TRY 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 TRY 2,400,000,000 from TRY 2,050,000,000 and the distribution of the bonus share dividends to 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 applications for obtaining approvals from the BRSA and the CMB in relation to capital increase were made.

G. FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD

The summary for the Bank's main financial indicators as of March 31, 2017 is provided below:

The total asset size grew by 21.7% on a year-on-year basis and by 5.9% compared to 2016 year-end to reach TRY 25,412 million.

The total loan portfolio reached TRY 18,664 million, marking an increase of 35.4% on a year-on-year basis and 7.7% on a year-to-date basis. The fx-adjusted loan growth was 3.5% on a year-to-date basis. The ratio of non-performing loans to total loans remained at 0.3% in the first three months.

The shareholders' equity rose by 15.1% on a year-on-year basis and by 2.1% compared to 2016 year-end to reach TRY 2,991 million. Standing at 14.3% as of 2016 year-end, the capital adequacy ratio increased to 17.4% as of the end of March 2017.

SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

As of March 31, 2017, net profit increased by 6.4% on an annual basis to reach TRY 140,762 thousand.

The Bank recorded a return on equity of 20.8% in March 2016, 17.6% at 2016 year-end, and 19.0% in March 2017.

Return on assets was 2.5% in March 2016, decreasing to 2.1% at 2016 year-end before rising up to 2.3% in March 2017.

In the first three quarters of 2017, total operating income increased by 13.0% on an annual basis to reach TRY 229.7 million while other operating expenses rose by 21.3% to TRY 34.1 million. The cost-to-income ratio which stood at 13.8% in March 2016 and 15% at 2016 year-end fell slightly to 14.8% in the first three months of 2017.

Forward Looking Expectations

No amendments have been introduced to the Bank's 2017 macroeconomic and financial goals announced publicly on the Public Disclosure Platform on January 13, 2017. The Bank's growth estimate of 3-3.5% for the Turkish economy and its annual inflation projection of 8.5% for 2017 are maintained.

In line with the Bank's target to attain an fx-adjusted loan growth of 10-13%; renewable energy projects including solar and wind power projects as well as logistics, energy and resource efficiency projects, public-private partnership projects and investments supporting sustainable development such as SME financing will continue to stand out in the Bank's new loan originations. Furthermore, projects on women's employment, occupational health and safety are among the top items on the Bank's agenda. While realizing its target, the Bank is also expected to maintain its healthy asset quality and keep its non-performing loans below 0.5%.

As a result of its operations in 2017, it is anticipated that TSKB will have a net interest margin rate above 3.5% by year-end and complete the year with a return on equity of 17-18% and a capital adequacy ratio above 14%.

H. 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.

I. 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>