

Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

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

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

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

INTERIM REVIEW REPORT

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

Introduction

We have reviewed the consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. (“the Bank”) and its consolidated financial subsidiaries (together will be referred as “the Group”) at 31 March 2017 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the 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 consolidated financial statements do not give a true view of the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. and its financial subsidiaries as at 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 Group 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.

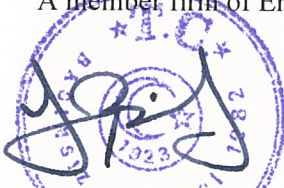
Report on other regulatory requirements arising from legislation

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 consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Yaşar Bivas, SMMM
Partner

April 26, 2017
İstanbul, Türkiye

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

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

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

Subsidiaries	Associates
Yatırım Finansman Menkul Değerler A.Ş. TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Finansal Kiralama A.Ş. İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. İş Faktoring A.Ş.

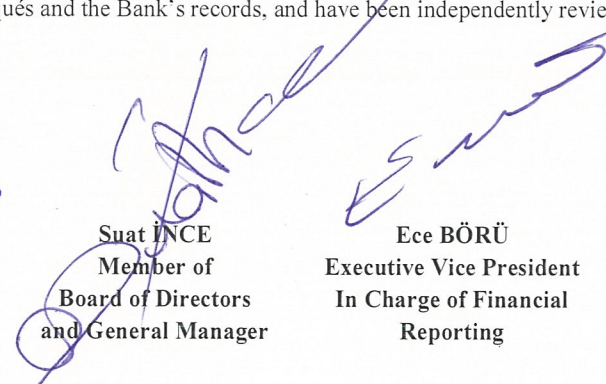
The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the three months, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting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

26 April 2017

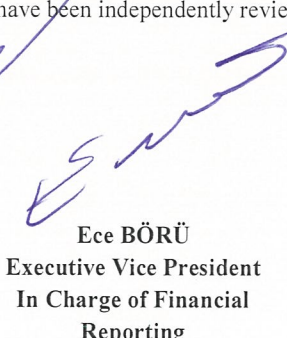


H. Ersin ÖZİNCE
Chairman of
Board of Directors

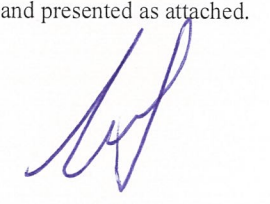
Acting
Ebru ÖZŞUCA
Vice Chairman



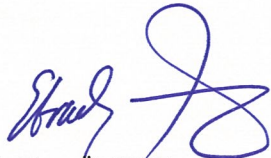
Suat İNCE
Member of
Board of Directors
and General Manager



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

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

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

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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	-

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
H. Ersin Özince (2)	Chairman of the Board of Directors
Ebru Özsuca (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
A. Ferit Eraslan	Vice President– Internal Systems and Risk Management
Ashlı Zerrin Hancı	Vice President – Treasury
H. Yetkin Kesler	Vice President – Enterprise Architecture, Human Resources, Corporate Communication and Corporate Compliance

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

(2) In the Board of Directors meeting held on 07 April 2017, Mr. H. Ersin Özince was appointed as Chairman of the Board of Directors due to Mr. Adnan Bali's resignation from his duty in accordance with the 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 Özsuca 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş.:

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:

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

İş Finansal Kiralama A.Ş.:

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

İş Faktoring A.Ş.:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 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)	10.482	747.233	757.715	161.305	616.771	778.076
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	185.172	207.624	392.796	139.799	247.238	387.037
2.1 Trading financial assets		185.172	207.624	392.796	139.799	247.238	387.037
2.1.1 Public sector debt securities		5.969	-	5.969	5.947	-	5.947
2.1.2 Share certificates		9	-	9	980	-	980
2.1.3 Derivative financial assets held for trading		174.019	207.624	381.643	126.798	247.238	374.036
2.1.4 Other marketable securities		5.175	-	5.175	6.074	-	6.074
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	(3)	324.952	694.779	1.019.731	75.108	422.841	497.949
IV. MONEY MARKET PLACEMENTS		25.830	-	25.830	63.796	191.138	254.934
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		984	-	984	901	-	901
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	1.770.146	1.088.451	2.858.597	2.048.308	1.020.104	3.068.412
5.1 Share certificates		35.217	22.024	57.241	28.081	18.582	46.663
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)	3.250.024	15.481.460	18.731.484	2.613.249	14.722.796	17.336.045
6.1 Loans and receivables		3.250.024	15.481.460	18.731.484	2.613.249	14.722.796	17.336.045
6.1.1 Loans to risk group of the Bank		286.669	174.106	460.775	193.048	212.410	405.458
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2.963.355	15.307.354	18.270.709	2.420.201	14.510.386	16.930.587
6.2 Non performing loans		55.291	1.164	56.455	50.253	1.362	51.615
6.3 Specific provisions (-)		(55.291)	(1.164)	(56.455)	(50.253)	(1.362)	(51.615)
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)	336.000	-	336.000	324.477	-	324.477
9.1 Accounted for under equity method		334.445	-	334.445	322.922	-	322.922
9.2 Unconsolidated associates		1.555	-	1.555	1.555	-	1.555
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.555	-	1.555	1.555	-	1.555
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	1.609	-	1.609	1,609	-	1,609
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		1,609	-	1,609	1,609	-	1,609
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	1,760	-	1,760	1,760	-	1,760
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		1,760	-	1,760	1,760	-	1,760
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		1,760	-	1,760	1,760	-	1,760
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)	230,290	-	230,290	231,328	-	231,328
XV. INTANGIBLE ASSETS (Net)	(13)	3,276	-	3,276	3,098	-	3,098
15.1 Goodwill		1,005	-	1,005	1,005	-	1,005
15.2 Other		2,271	-	2,271	2,093	-	2,093
XVI. INVESTMENT PROPERTY (Net)	(14)	231,795	-	231,795	231,323	-	231,323
XVII. TAX ASSET	(15)	24,470	-	24,470	21,214	-	21,214
17.1 Current tax asset		3,681	-	3,681	3,032	-	3,032
17.2 Deferred tax asset		20,789	-	20,789	18,182	-	18,182
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)	93,897	246,600	340,497	81,592	276,839	358,431
TOTAL ASSETS		7,698,921	18,676,964	26,375,885	7,186,956	17,688,530	24,875,486

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 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)	-	-	-	-	-	-
I.1	Deposits from Risk Group of the Bank		-	-	-	-	-	-
I.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	137.182	174.560	311.742	115.009	205.788	320.797
III.	FUNDS BORROWED	(3)	164.765	16.346.064	16.510.829	147.252	15.980.244	16.127.496
IV.	MONEY MARKET BALANCES		832.635	109.955	942.590	1.195.236	60.998	1.256.234
4.1	Interbank money market takings		81.000	-	81.000	610.144	-	610.144
4.2	Istanbul Stock Exchange money market takings		377.733	-	377.733	350.736	-	350.736
4.3	Funds provided under repurchase agreements		373.902	109.955	483.857	234.356	60.998	295.354
V.	DEBT 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.	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.	MISCELLANEOUS PAYABLES		127.966	74.146	202.112	113.382	80.230	193.612
VIII.	OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	(5)	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	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)	294.040	-	294.040	279.033	-	279.033
12.1	General loan loss provisions		176.725	-	176.725	177.167	-	177.167
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		12.408	-	12.408	10.904	-	10.904
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		104.907	-	104.907	90.962	-	90.962
XIII.	TAX LIABILITY	(8)	60.508	-	60.508	11.779	-	11.779
13.1	Current tax liability		60.508	-	60.508	11.779	-	11.779
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	1.097.469	1.097.469	-	-	-
XVI.	SHAREHOLDERS' EQUITY		3.222.742	(1.828)	3.220.914	3.169.827	(26.774)	3.143.053
16.1	Paid-in capital	(11)	2.050.000	-	2.050.000	2.050.000	-	2.050.000
16.2	Capital reserves		163.823	(1.828)	161.995	159.098	(26.774)	132.324
16.2.1	Share premium		428	-	428	428	-	428
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	(11)	(38.397)	(1.828)	(40.225)	(43.122)	(26.774)	(69.896)
16.2.4	Tangible assets revaluation differences	(11)	201.168	-	201.168	201.168	-	201.168
16.2.5	Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8	Hedging reserves (Effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		624	-	624	624	-	624
16.3	Profit reserves		441.740	-	441.740	408.096	-	408.096
16.3.1	Legal reserves		241.292	-	241.292	216.361	-	216.361
16.3.2	Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3	Extraordinary reserves		121.888	-	121.888	113.175	-	113.175
16.3.4	Other profit reserves		2.919	-	2.919	2.919	-	2.919
16.4	Profit or loss		512.204	-	512.204	494.664	-	494.664
16.4.1	Prior years' profit/loss		368.219	-	368.219	51.233	-	51.233
16.4.2	Current year profit/loss		143.985	-	143.985	443.431	-	443.431
16.5	Non-controlling interests		54.975	-	54.975	57.969	-	57.969
TOTAL LIABILITIES AND EQUITY			4.843.806	21.532.079	26.375.885	5.033.029	19.842.457	24.875.486

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 31 MARCH 2017**

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

OFF-BALANCE SHEET COMMITMENTS	Note Ref	Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		9,474,795	41,490,654	50,965,449	8,837,735	35,599,977	44,437,712
I. GUARANTEES AND COLLATERALS	(1)	188,868	1,632,415	1,821,283	210,448	1,458,760	1,669,208
1.1 Letters of guarantee		188,868	870,036	1,058,904	210,448	764,943	975,391
1.1.1 Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		188,868	870,036	1,058,904	210,448	764,943	975,391
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)	2,851,119	8,116,135	10,967,254	2,318,595	6,274,080	8,592,675
2.1 Irrevocable commitments		1,514,141	773,972	2,288,113	1,022,236	301,200	1,323,436
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		1,290,786	182,387	1,473,173	999,077	177,513	1,176,590
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)	6,434,808	31,742,104	38,176,912	6,308,692	27,867,137	34,175,829
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		6,434,808	21,512,554	27,947,362	6,308,692	20,119,337	26,428,029
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		3,548,973	17,818,207	21,367,180	2,819,705	15,427,729	18,247,434
3.2.2.1 Foreign currency swaps-buy		1,198,606	3,245,755	4,444,361	1,098,878	2,724,038	3,822,916
3.2.2.2 Foreign currency swaps-sell		2,309,543	1,981,964	4,291,507	1,680,003	1,970,805	3,650,808
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)		46,947,464	192,464,418	239,411,882	43,886,431	190,051,234	233,937,665
IV. ITEMS HELD IN CUSTODY		1,511,787	204,251	1,716,038	1,390,976	132,226	1,523,202
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		1,247,020	204,251	1,451,271	1,185,233	132,226	1,317,459
4.3 Checks received for collection		-	-	-	-	-	-
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		264,767	-	264,767	205,743	-	205,743
V. PLEDGED ITEMS		34,389,429	113,947,301	148,336,730	31,662,429	112,629,624	144,292,053
5.1 Marketable securities		450,941	7,944,294	8,395,235	450,941	7,564,328	8,015,269
5.2 Guarantee notes		98,313	2,060,885	2,159,198	97,196	2,042,232	2,139,428
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		33,311,792	73,236,425	106,548,217	30,685,907	73,169,006	103,854,913
5.7 Pledged items-depositary		-	-	-	-	-	-
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)		56,422,259	233,955,072	290,377,331	52,724,166	225,651,211	278,375,377

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Reviewed Current Period 1 January 2017 – 31 March 2017	Reviewed Prior Period 1 January 2016 – 31 March 2016
I. INTEREST INCOME	(1)	401.812	335.222
1.1 Interest on loans		285.323	188.174
1.2 Interest received from reserve deposits		933	844
1.3 Interest received from banks		7.690	4.131
1.4 Interest received from money market placements		13.561	44.502
1.5 Interest received from marketable securities portfolio		93.611	97.383
1.5.1 Financial assets held for trading		439	1.022
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		580	188
II. INTEREST EXPENSES	(2)	(186.562)	(144.595)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(78.263)	(52.400)
2.3 Interest on money market borrowings		(57.487)	(65.750)
2.4 Interest on securities issued		(50.553)	(26.399)
2.5 Other interest expense		(259)	(46)
III. NET INTEREST INCOME (I - II)		215.250	190.627
IV. NET FEES AND COMMISSIONS INCOME		8.697	6.880
4.1 Fees and commissions received		11.652	10.010
4.1.1 Non-cash loans		2.814	2.745
4.1.2 Other	(11)	8.838	7.265
4.2 Fees and commissions paid		(2.955)	(3.130)
4.2.1 Non-cash loans		(483)	(211)
4.2.2 Other		(2.472)	(2.919)
V. DIVIDEND INCOME	(3)	4.027	11.332
VI. NET TRADING INCOME	(4)	(4.898)	(10.107)
6.1 Securities trading gains/ (losses)		459	2.691
6.2 Derivative financial instruments gains/losses		10.855	(78.960)
6.3 Foreign exchange gains/losses (net)		(16.212)	66.162
VII. OTHER OPERATING INCOME	(5)	10.307	9.248
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		233.383	207.980
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(22.320)	(16.385)
X. OTHER OPERATING EXPENSES (-)	(7)	(47.737)	(37.859)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		163.326	153.736
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		11.679	11.895
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		175.005	165.631
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	(34.302)	(29.450)
16.1 Provision for current income taxes		(42.399)	(36.010)
16.2 Provision for deferred taxes		8.097	6.560
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(9)	140.703	136.181
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)	140.703	136.181
23.1 Group's profit / loss		143.985	136.928
23.2 Minority shares		(3.282)	(747)
Earnings / (losses) per share (Full Kuruş)		0,070	0,078

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 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	27.718	37.555
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	6.704	(9.682)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(5.490)	(7.379)
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	29.671	20.575
XI. CURRENT YEAR PROFIT/LOSS	140.703	136.181
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	140.590	134.616
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	170.374	156.756

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

	Notes	Reviewed Current Period 31 March 2017	Reviewed Prior Period 31 March 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
I.1 Operating profit before changes in operating assets and liabilities		205.421	104.003
1.1.1 Interest received		329.393	281.928
1.1.2 Interest paid		(240.654)	(27.524)
1.1.3 Dividends received		2.827	9.068
1.1.4 Fees and commissions received		11.652	10.010
1.1.5 Other income		14.987	24.999
1.1.6 Collections from previously written off loans		759	6.245
1.1.7 Payments to personnel and service suppliers		(35.461)	(35.678)
1.1.8 Taxes paid		(5.063)	(41.857)
1.1.9 Others	(1)	126.981	(123.188)
I.2 Changes in operating assets and liabilities		(1.327.021)	63.750
1.2.1 Net (increase) decrease in financial assets		(1.021)	(25.127)
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		(661.048)	(446.987)
1.2.5 Net (increase) decrease in other assets		(109.266)	126.827
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		(278.174)	(106.364)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	(277.512)	515.401
I. Net cash provided by/(used in) banking operations		(1.121.600)	167.753
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		281.976	(116.861)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed asset purchases		(1.112)	(1.716)
2.4 Fixed asset sales		131	102
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		502.867	141.492
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(1)	(375)	(1.017)
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)	(1.878)	(5.103)
V. Net increase / (decrease) in cash and cash equivalents		142.697	(16.050)
VI. Cash and cash equivalents at beginning of the period		913.649	1.868.915
VII. Cash and cash equivalents at end of the period		1.056.346	1.852.865

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

**NOTES TO THE CONSOLIDATED 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 consolidated financial statements and notes to the consolidated financial statements according to Turkish Accounting Standards and Banking Accounting Regulations and Safeguarding of Documents

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

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

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

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

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

Additional paragraph for convenience translation to English

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34” Interim Financial reporting” except for the matters regulated by BRSA Legislation accounting principles generally accepted in countries in which the accompanying 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.

**NOTES TO THE CONSOLIDATED 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)

I. Basis of presentation (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED 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. Information about the Parent Bank and its subsidiaries and associates subject to consolidation

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

IV. Explanations on forward and option contracts and derivative instruments

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

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

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

V. Explanations on interest income and expenses

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

**NOTES TO THE CONSOLIDATED 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 fees and commission income and expenses

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

VII. Explanations on financial assets

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

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

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

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

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

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

Cash, Banks and Other Financial Institutions:

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

**NOTES TO THE CONSOLIDATED 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)

VII. Explanations on financial assets (continued)

Marketable Securities:

The Group classifies its marketable securities in 3 groups:

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

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

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

Explanations on investments in associates and subsidiaries:

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

Loans:

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

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

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

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

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

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

VIII. Explanations on impairment on financial assets

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment on financial assets (continued)

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

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

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

IX. Explanations on offsetting of financial assets and liabilities

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

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

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

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

XI. Explanations on assets held for sale and discontinued operations

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on goodwill and other intangible assets

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

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

XIII. Explanations on tangible assets

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

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

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

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on tangible assets (continued)

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

Investment Property

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

XIV. Explanations on leasing transactions

The Group as Lessor

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

The Group as Lesser

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

XV. Explanations on provisions and contingent liabilities

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

Information on contingent assets

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

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits

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

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

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

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

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

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

XVII. Explanations on taxation

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

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on taxation (continued)

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

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

Transfer pricing

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

XVIII. Additional explanations on borrowings

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

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

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

XIX. Explanations on share certificates issued

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the 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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XX. Explanations on acceptances

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

XXI. Explanations on government incentives

The Parent Bank does not use government incentives.

XXII. Explanations on segment reporting

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXII. Explanations on segment reporting (continued)

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	119.640	103.894	(8.284)	215.250
Net Fees and Commission Income	2.828	(573)	6.442	8.697
Other Income	199	-	148.784	148.983
Other Expense	(25.744)	(5.645)	(166.536)	(197.925)
Profit Before Tax	96.923	97.676	(19.594)	175.005
Tax Provision				(34.302)
Net Profit				140.703
Group's profit / loss				143.985
Non-controlling interest				(3.282)
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	18.664.286	5.996.903	1.375.327	26.036.516
Investment in Associates and Subsidiaries	-	-	339.369	339.369
Total Assets	18.664.286	5.996.903	1.714.696	26.375.885
Segment Liabilities	21.702.938	205.139	1.246.894	23.154.971
Shareholders' Equity	-	-	3.220.914	3.220.914
Total Liabilities	21.702.938	205.139	4.467.808	26.375.885

Prior Period (*)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	87.396	107.937	(4.706)	190.627
Net Fees and Commission Income	2.743	(1.322)	5.459	6.880
Other Income	289	-	44.150	44.439
Other Expense	(16.270)	(17.125)	(42.920)	(76.315)
Profit Before Tax	74.158	89.490	1.983	165.631
Tax Provision				(29.450)
Net Profit				136.181
Group's profit / loss				136.928
Non-controlling interest				(747)
Prior Period (**)	Corporate Banking	Investment Banking	Other	Total
Segment Assets	17.270.371	5.904.442	1.372.827	24.547.640
Investment in Associates and Subsidiaries	-	-	327.846	327.846
Total Assets	17.270.371	5.904.442	1.700.673	24.875.486
Segment Liabilities	20.066.209	544.386	1.121.838	21.732.433
Shareholders' Equity	-	-	3.143.053	3.143.053
Total Liabilities	20.066.209	544.386	4.264.891	24.875.486

(*) Includes information of 31 March 2016.

(**) Includes information of 31 December 2016.

XXIII. Explanations on other matters

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SECTION FOUR**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT****I. Information related to the components of consolidated total capital**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As at 31 March 2017 capital adequacy ratio of Bank has been calculated as 17,38%.

	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	428	428
Reserves	441.740	408.096
Other comprehensive income according to TAS	257.892	249.270
Profit	512.204	494.664
Current Period Profit	143.985	443.431
Prior Period Profit	368.219	51.233
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	54.975	57.969
Core Equity Tier 1 Capital Before Deductions	3.317.613	3.260.801
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	5.608	5.986
Goodwill (net of related tax liability)	804	603
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	1.817	1.256
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	250	250
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	27.342	19.336
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

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

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

Excess amount arising from deferred tax assets from temporary differences	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	
Total Regulatory Adjustments to Tier I Capital	132.770	145.429
Core Equity Tier I Capital	3.184.843	3.115.372
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional tier i capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
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 (-)	655	1.239
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	655	1.239
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	3.184.188	3.114.133
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)	176.725	177.167
Tier II Capital Before Deductions	1.264.975	177.167
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

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

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

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	1.264.975	177.167
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.449.163	3.291.300
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	6.836	12.891
CAPITAL		
Total Capital	4.441.963	3.278.040
Total Risk Weighted Assets	25.556.144	22.507.376
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12,46	13,84
Tier I Capital Adequacy Ratio (%)	12,46	13,84
Capital Adequacy Ratio (%)	17,38	14,56
BUFFERS		
Total buffer requirement (%)	1,25	0,63
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	1,25	6,63
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	-	-
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	176.725	177.167
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	176.725	177.167
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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	-	-

(*) There are no differences between the figures in the consolidated own funds and their corresponding amounts in the balance sheet.

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Information related to the components of 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 CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)****II. Explanations related to consolidated currency risk**

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

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

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

	1 US Dollar	1 Euro
The Parent 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 Parent Bank before the reporting date are full TL 3,6504 and 3,8979; respectively.

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SECTION FOUR (Continued)

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

II. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

	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	399.678	293.574	1.527	694.779
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	225.962	-	262.020
Total Assets	7.706.146	12.177.620	94.001	19.977.767
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	44.978	64.977	-	109.955
Funds Provided From Other Financial Institutions	7.566.073	8.789.210	-	16.355.283
Marketable Securities Issued(****)	-	4.756.206	-	4.756.206
Miscellaneous Payables (*****)	7.325	66.400	199	73.924
Derivative Financial Liabilities for Hedging Purposes	-	49.256	-	49.256
Other Liabilities (*****)	27.629	29.850	2.520	59.999
Total Liabilities	7.646.005	13.755.899	2.719	21.404.623
Net Balance Sheet Position	60.141	(1.578.279)	91.282	(1.426.856)
Net Off-Balance Sheet Position	(357.456)	1.626.448	(90.682)	1.178.310
Financial Derivative Assets	1.076.039	4.009.971	188.494	5.274.504
Financial Derivative Liabilities	(1.433.495)	(2.383.523)	(279.176)	(4.096.194)
Non-Cash Loans (*****)	836.719	781.237	14.459	1.632.415
Prior Period				
Total Assets	7.458.950	11.238.541	122.155	18.819.646
Total Liabilities	7.363.483	12.343.057	2.801	19.709.341
Net Balance Sheet Position	95.467	(1.104.516)	119.354	(889.695)
Net Off-Balance Sheet Position	(286.350)	1.052.712	(118.621)	647.741
Financial Derivative Assets	1.418.329	3.491.955	134.472	5.044.756
Financial Derivative Liabilities	(1.704.679)	(2.439.243)	(253.093)	(4.397.015)
Non-Cash Loans (*****)	714.093	730.990	13.677	1.458.760

(*) Exchange rate differences arising from derivative transactions amounting to TL 134.907 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".

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

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

(*****) Marketable securities valuation decrease fund amounting to TL (1.828) and exchange rate differences arising from derivative transactions amounting to TL 68.546 have not been included in "Other Liabilities". Borrower funds amounting TL 3.776 based on foreign currencies have been included in "Other Liabilities".

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

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SECTION FOUR (Continued)

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

III. Explanations related to consolidated interest rate risk

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

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

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

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

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	-	-	-	-	340.187	757.715
Banks	570.165	433.623	-	-	-	15.943	1.019.731
Financial Assets at Fair Value Through Profit and Loss	51.431	132.548	145.115	49.001	10.343	4.358	392.796
Money Market Placements	25.830	-	-	-	-	-	25.830
Available-for-Sale Financial Assets	423.352	531.841	165.513	970.638	710.012	57.241	2.858.597
Loans	1.665.364	7.696.289	6.070.315	2.729.194	570.322	-	18.731.484
Held-to-Maturity Investments	-	372.385	836.833	-	189.813	-	1.399.031
Other Assets	-	562	6.145	10.369	3.928	1.169.697	1.190.701
Total Assets	3.153.670	9.167.248	7.223.921	3.759.202	1.484.418	1.587.426	26.375.885
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	924.801	17.789	-	-	-	-	942.590
Miscellaneous Payables	-	-	-	-	-	202.112	202.112
Marketable Securities Issued(**)	-	-	-	3.667.956	1.097.469	-	4.765.425
Funds Provided from Other Financial Institutions	1.140.182	5.993.929	5.621.182	1.688.646	2.066.890	-	16.510.829
Other Liabilities(***)	61.651	134.406	148.194	35.216	-	3.575.462	3.954.929
Total Liabilities	2.126.634	6.146.124	5.769.376	5.391.818	3.164.359	3.777.574	26.375.885
Balance Sheet Long Position	1.027.036	3.021.124	1.454.545	-	-	-	5.502.705
Balance Sheet Short Position	-	-	-	(1.632.616)	(1.679.941)	(2.190.148)	(5.502.705)
Off-Balance Sheet Long Position	-	1.283	-	-	561.431	-	562.714
Off-Balance Sheet Short Position	80.742	(144.227)	(412.151)	(22.241)	-	-	(497.877)
Total Position	1.107.778	2.878.180	1.042.394	(1.654.857)	(1.118.510)	(2.190.148)	64.837

(*) 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.

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

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

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

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

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	413.451	-	-	-	-	364.625	778.076
Banks	465.969	11.133	-	-	-	20.847	497.949
Financial Assets at Fair Value Through Profit and Loss	53.716	92.777	135.422	67.326	34.413	3.383	387.037
Money Market Placements	191.973	62.961	-	-	-	-	254.934
Available-for-Sale Financial Assets	333.011	288.125	844.154	890.502	665.957	46.663	3.068.412
Loans	1.992.927	5.644.313	6.538.267	2.632.395	528.143	-	17.336.045
Held-to-Maturity Investments	180.460	645.935	362.595	-	186.739	-	1.375.729
Other Assets	-	272	1.295	1.949	548	1.173.240	1.177.304
Total Assets	3.631.507	6.745.516	7.881.733	3.592.172	1.415.800	1.608.758	24.875.486
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.256.160	74	-	-	-	-	1.256.234
Miscellaneous Payables	-	-	-	-	-	193.612	193.612
Marketable Securities Issued	-	-	-	3.486.732	-	-	3.486.732
Funds Provided from Other Financial Institutions	3.595.439	5.563.880	3.350.968	1.573.342	2.043.867	-	16.127.496
Other Liabilities (**)	35.138	98.963	174.741	64.075	4.630	3.433.865	3.811.412
Total Liabilities	4.886.737	5.662.917	3.525.709	5.124.149	2.048.497	3.627.477	24.875.486
Balance Sheet Long Position	-	1.082.599	4.356.024	-	-	-	5.438.623
Balance Sheet Short Position	(1.255.230)	-	-	(1.531.977)	(632.697)	(2.018.719)	(5.438.623)
Off-Balance Sheet Long Position	-	14.267	-	18.604	228.421	-	261.292
Off-Balance Sheet Short Position	(62.216)	-	(140.032)	-	-	-	(202.248)
Total Position	(1.317.446)	1.096.866	4.215.992	(1.513.373)	(404.276)	(2.018.719)	59.044

(*) 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017**

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SECTION FOUR (Continued)**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****III. Explanations related to consolidated interest rate risk (continued)***Average interest rates applied to monetary financial instruments: %*

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	0,50	-	3,94
Banks	1,69	2,22	-	12,67
Financial Assets at Fair Value Through Profit and Loss	-	-	-	10,81
Money Market Placements	-	-	-	12,36
Available-for-Sale Financial Assets	5,63	4,75	-	10,43
Loans	3,70	5,65	-	13,30
Held-to-Maturity Investments	-	5,59	-	10,79
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,25	1,32	-	11,03
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued(*)	-	-	-	-
Borrower Funds	0,25	5,71	-	6,00
Funds Provided From Other Financial Institutions	0,96	2,20	-	9,97

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

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

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

	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	2,23	1,85	-	11,39
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,30
Money Market Placements	-	-	-	10,96
Available-for-Sale Financial Assets	5,59	4,77	-	9,95
Loans	3,56	5,47	-	13,29
Held-to-Maturity Investments	-	5,59	-	10,35
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,27	0,50	-	7,86
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,38	-	-
Borrower Funds	0,25	0,50	-	6,00
Funds Provided From Other Financial Institutions	0,91	2,08	-	8,74

IV. Explanations related to consolidated stock position risk

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

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	280.913	-	215.581
Quoted	280.913	-	215.581

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

Equity shares risk due from banking book (continued)

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

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(1.112)	(1.112)	-
Other Share Certificates	-	9.045	9.045	-	-	-
Total	-	9.045	9.045	(1.112)	(1.112)	-

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

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

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

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SECTION FOUR (Continued)

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

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

I. Explanations related to the consolidated liquidity risk

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

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

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

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

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

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

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

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SECTION FOUR (Continued)

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

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

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

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

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

1.d Information on consolidated liquidity risk mitigation techniques:

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

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

1.e Information on the use of stress tests

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

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SECTION FOUR (Continued)

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

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

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

2. Consolidated Liquidity Coverage Ratio

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

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			1.180.784	439.682
CASH OUTFLOWS				
2 Retail and Customers Deposits	43	10	13	3
3 Stable deposits	-	-	-	-
4 Less stable deposits	43	10	13	3
5 Unsecured Funding other than Retail and Small Business Customers Deposits	1.559.631	727.091	1.421.341	641.762
6 Operational deposits	23.827	20.651	5.956	5.163
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.535.804	706.440	1.415.385	636.599
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.468.482	834.978	1.468.482	834.978
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.468.482	834.978	1.468.482	834.978
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	5.057.163	4.135.045	252.858	206.752
15 Other irrevocable or conditionally revocable commitments	6.461.234	4.409.088	1.265.688	599.982
16 TOTAL CASH OUTFLOWS			4.408.382	2.283.477
CASH INFLOWS				
17 Secured Lending Transactions	530	-	-	-
18 Unsecured Lending Transactions	2.746.443	1.200.537	2.505.997	1.079.522
19 Other contractual cash inflows	1.519.843	918.019	1.519.843	918.019
20 TOTAL CASH INFLOWS	4.266.816	2.118.556	4.025.840	1.997.541
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			1.180.784	439.682
22 TOTAL NET CASH OUTFLOWS			1.102.096	570.869
23 Liquidity Coverage Ratio (%)			107	77

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

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

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

2. Consolidated Liquidity Coverage Ratio (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			1.383.881	494.908
CASH OUTFLOWS				
2 Retail and Customers Deposits	-	-	5	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	5	1
5 Unsecured Funding other than Retail and Small Business Customers Deposits	1.056.403	299.183	865.304	232.206
6 Operational deposits	10.928	8.215	2.732	2.054
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.045.475	290.968	862.572	230.152
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.273.741	886.650	1.273.741	886.650
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.273.741	886.650	1.273.741	886.650
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	3.066.786	1.965.271	153.339	98.264
15 Other irrevocable or conditionally revocable commitments	5.281.244	4.150.603	860.903	523.396
16 TOTAL CASH OUTFLOWS			3.153.292	1.740.517
CASH INFLOWS				
17 Secured Lending Transactions	3.088	-	-	-
18 Unsecured Lending Transactions	2.880.100	764.089	2.677.142	655.674
19 Other contractual cash inflows	1.314.314	688.385	1.314.314	688.385
20 TOTAL CASH INFLOWS	4.197.502	1.452.474	3.991.456	1.344.059
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			1.383.881	494.908
22 TOTAL NET CASH OUTFLOWS			788.323	435.129
23 Liquidity Coverage Ratio (%)			148	88

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SECTION FOUR (Continued)

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

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

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

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

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

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

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

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

Main funding source of the Parent 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 liable to warrant completing

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

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

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

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

None.

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

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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SECTION FOUR (Continued)

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

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

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	340.187	417.528	-	-	-	-	-	757.715
Banks	15.943	570.164	433.624	-	-	-	-	1.019.731
Financial Assets at Fair Value Through Profit and Loss	4.358	18.346	10.759	126.580	138.279	94.474	-	392.796
Money Market Placements	-	25.830	-	-	-	-	-	25.830
Financial Assets Available-for-Sale	-	7.246	163.252	186.186	1.377.296	1.067.376	57.241	2.858.597
Loans	-	404.457	1.369.728	3.711.731	8.659.767	4.585.801	-	18.731.484
Held-to-Maturity Investments	-	-	-	-	596.203	802.828	-	1.399.031
Other Assets	356.142	-	562	1.340	15.095	4.007	813.555	1.190.701
Total Assets	716.630	1.443.571	1.977.925	4.025.837	10.786.640	6.554.486	870.796	26.375.885
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	178.659	289.233	2.339.754	6.688.904	7.014.279	-	16.510.829
Money Market Borrowings	-	924.801	17.789	-	-	-	-	942.590
Securities Issued(**)	-	-	-	-	3.667.956	1.097.469	-	4.765.425
Miscellaneous Payables	-	-	-	-	-	-	202.112	202.112
Other Liabilities (***)	-	42.956	10.492	120.118	146.037	59.864	3.575.462	3.954.929
Total Liabilities	-	1.146.416	317.514	2.459.872	10.502.897	8.171.612	3.777.574	26.375.885
Liquidity Gap	716.630	297.155	1.660.411	1.565.965	283.743	(1.617.126)	(2.906.778)	-
Net Off-balance sheet Position	-	(13.851)	211	1.616	59.814	6.056	-	53.846
Financial Derivative Assets	-	2.077.260	1.304.702	2.793.053	7.909.601	5.030.763	-	19.115.379
Financial Derivative Liabilities	-	2.091.111	1.304.491	2.791.437	7.849.787	5.024.707	-	19.061.533
Non-cash Loans (****)	-	472	51.646	681.071	318.134	563.983	205.977	1.821.283
Prior Period								
Total Assets	338.855	1.823.493	1.399.104	3.620.305	9.889.301	6.534.525	1.219.903	24.875.486
Total Liabilities	-	1.505.615	310.523	2.272.667	10.179.329	6.979.875	3.627.477	24.875.486
Liquidity Gap	338.855	317.878	1.088.581	1.347.638	(290.028)	(445.350)	(2.407.574)	-
Net Off-balance sheet Position	-	7.762	399	782	38.040	12.062	-	59.045
Financial Derivative Assets	-	1.694.093	1.573.087	2.916.888	6.827.177	4.106.192	-	17.117.437
Financial Derivative Liabilities	-	1.686.331	1.572.688	2.916.106	6.789.137	4.094.130	-	17.058.392
Non-cash Loans (***)	-	21.227	5.182	33.578	551.991	508.482	548.748	1.669.208

(*) 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.

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

(***) 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.

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SECTION FOUR (Continued)

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

VI. Explanations related to consolidated leverage ratio

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

As of 31 March 2017, leverage ratio of the Group calculated from the arithmetic average of the three months is 9,77% . Leverage ratio is almost on the same level in the current and prior period.

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

		Current Period(*)	Prior Period(*)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (**)	22.546.046	21.372.991
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks (**)	(3.224)	6.411
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(157.005)	(162.203)
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.297.925	2.643.939
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(3.174.771)	(3.342.558)
6	Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
7	Total Risk	29.431.796	24.912.639

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

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

c) Consolidated Leverage Ratio

		Current Period(*)	Prior Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	26.898.944	24.963.768
2	(Assets deducted from Core capital)	(136.222)	(122.235)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	26.762.722	24.841.533
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	431.689	309.871
5	Potential credit risk amount of derivative financial assets and credit derivatives	247.560	221.170
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	679.249	531.041
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	429.714	346.184
8	Risk amount arising from intermediary transactions	58.001	38.688
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	487.715	384.872
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	7.029.631	6.849.121
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)	4.510.876	3.674.350
	Capital and total risk		
13	Core Capital	3.169.254	3.093.277
14	Total risk amount (sum of lines 3, 6, 9 and 12)	32.440.562	29.431.796
	Leverage ratio		
15	Leverage ratio	9,77%	10,51%

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

VII. Explanations on Consolidated Risk Management

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué the tables stated below have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, 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
- 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)	23.078.808	19.834.989	1.846.305
2	Standardised approach	23.078.808	19.834.989	1.846.305
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	794.904	695.368	63.592
5	Standardised approach for counterparty credit risk	794.904	695.368	63.592
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	429.863	863.475	34.389
17	Standardised approach	429.863	863.475	34.389
18	Internal model approaches	-	-	-
19	Operational risk	1.252.570	1.113.544	100.206
20	Basic indicator approach	1.252.570	1.113.544	100.206
21	Standart approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	25.556.145	22.507.376	2.044.492

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	25	-	29	-
Balances with the Central Bank of Turkey	10.457	747.233	161.276	616.771
Other	-	-	-	-
Total	10.482	747.233	161.305	616.771

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

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

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 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 include)	10,5
Other liabilities until 3 year maturity (3 year include)	7
Other liabilities more than 5 year maturity	4

Reserve Rates for FC Liabilities (%)		
Original Maturity	Reserve Ratio 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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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE (Continued)

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

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

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

2.a.1 Trading securities:

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

As of the reporting date, the Group's trading securities given as collateral or blockage amounted to TL 1.318 (31 December 2016: TL 1.298).

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

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

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

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

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

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

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

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

Derivative Instruments Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	14.005	1.181	13.290	8.819
Swap Transactions	160.014	106.459	113.508	112.792
Futures Transactions	-	-	-	-
Options	-	99.984	-	125.627
Other	-	-	-	-
Total	174.019	207.624	126.798	247.238

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.

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

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

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

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

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	309.947	684.845	60.098	376.443
Foreign	15.005	9.934	15.010	46.398
Branches and head office abroad	-	-	-	-
Total	324.952	694.779	75.108	422.841

3.b Information on banks and foreign bank accounts:

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

4. Information on financial assets available-for-sale

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	16.466	-	111.173	-
Treasury bills	-	-	-	-
Other public sector 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 financial assets available for sale given as collateral comprise of financial assets are issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.248.736 (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 54,39%, Eurobonds 36,06% and shares and other securities 9,54% (31 December 2016: government bonds 59,38%, Eurobonds 31,52% and shares and other securities 11,70%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

	Current Period	Prior Period
Debt securities	2.861.037	3.096.626
Quoted on a stock exchange	1.758.930	2.040.539
Unquoted	1.102.107	1.056.087
Share certificates	57.953	53.695
Quoted on a stock exchange	11.085	11.834
Unquoted	46.868	41.861
Impairment provision(-)	(60.393)	(81.909)
Total	2.858.597	3.068.412

The net book value of unquoted available for sale share certificates is TL 40.886 (31 December 2016: TL 35.882).

5. Information on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	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	-

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Cash Loans						
Non-specialized loans	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	83.397	-	-	-	-	-
Total	18.537.733	52.596	-	193.751	142.852	2.347

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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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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

The syndicated loans granted to a company amounting to USD 70.724.223 are classified under "Performing Loans and Other Receivables" 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 CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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 and Over	-	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 and Over	-	14.652

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FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

5.c Loans according to their maturity structure:

Current Period	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
Short-term loans and other receivables	1.104.923	-	47.225	47.225
Non-specialized loans	1.021.526	-	47.225	47.225
Specialized loans	-	-	-	-
Other receivables	83.397	-	-	-
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	662.731	-	44.994	44.994
Non-specialized loans	593.265	-	44.994	44.994
Specialized loans	-	-	-	-
Other receivables	69.466	-	-	-
Medium and Long-term loans	16.478.202	49.896	150.118	100.104
Non-specialized loans	16.478.202	49.896	150.118	100.104
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

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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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

5. Explanations on loans (continued)

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

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	18	199	217
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	18	199	217
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	18	199	217

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

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

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

5. Explanations on loans (continued)

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

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

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	181.379	125.356
Private	18.550.105	17.210.689
Total	18.731.484	17.336.045

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	18.657.858	17.263.913
Foreign Loans	73.626	72.132
Total	18.731.484	17.336.045

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	337.958	294.292
Indirect loans granted to subsidiaries and associates	-	-
Total	337.958	294.292

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	48.666	48.523
Total	56.455	51.615

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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)	-	-	10.708
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	10.708
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	-	48.523
Additions (+)	4.895	1	703
Transfers from Other Categories of Non-performing Loans (+)	-	1.723	-
Transfers to Other Categories of Non-performing Loans (-)	(1.723)	-	-
Collections (-)	(199)	-	(560)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	6.065	1.724	48.666
Specific Provisions (-)	(6.065)	(1.724)	(48.666)
Net Balance on Balance Sheet	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period			
Prior Period End Balance	3.603	-	57.414
Additions (+)	20	-	3.546
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-)	(531)	-	(12.422)
Write-offs (-)	-	-	(15)
Corporate and Commercial Loans	-	-	(15)
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	3.092	-	48.523
Specific Provisions (-)	(3.092)	-	(48.523)
Net Balance 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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FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2017

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	6.065	1.724	47.237
Specific Provision Amount (-)	(6.065)	(1.724)	(47.237)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1.429
Specific Provision Amount (-)	-	-	(1.429)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	3.092	-	47.236
Specific Provision Amount (-)	(3.092)	-	(47.236)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1.287
Specific Provision Amount (-)	-	-	(1.287)
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

5.m Other explanations and disclosures:

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

6. Information on held-to-maturity investments

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	-	189.810	-	186.736
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 Public Sector Debt Securities	-	-
Total	1.399.031	1.375.729

6.3 Information on held-to-maturity investments

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	1.209.218	1.188.990
Not Quoted	192.287	186.739
Impairment provision (-)	(2.474)	-
Total	1.399.031	1.375.729

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

	Current Period	Prior Period
Balance at Beginning of the Period	1.375.729	872.602
Foreign Currency Differences on Monetary Assets	7.289	31.581
Purchases During The Period (*)	-	417.241
Disposals Through Sales And Redemptions	(392)	(1.597)
Impairment Provision (-)	(2.474)	-
Interest Income Accruals	18.879	55.902
Balance 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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

7. Information on investments in associates (net):

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

Unconsolidated non-financial associates are valued at cost.

7.a.2 Information on unconsolidated associates:

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (*)	16.408	3.196	218	-	-	(455)	114	-
2	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.

Information on associates disposed in the current period

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

Information on associates purchased in the current period

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

7.a.3 Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,39
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	69,06

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	3.104.997	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

	Current Period	Prior Period
Balance at the Beginning of the Period	322.922	291.988
Movements During the Period	11.523	30.934
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	11.677	38.805
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	(154)	(7.871)
Balance at the End of the Period	334.445	322.922
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

Information on associates disposed in the current period

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

Information on associates purchased in the current period

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

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	62.789	56.801
Leasing Companies	227.823	222.466
Financial Service Companies	-	-
Other Financial Associates	43.833	43.655

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	271.656	266.121
Associates Quoted on Foreign Stock Markets	-	-

8. Information related to subsidiaries (net)

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

	YF (*)	TSKB GYO (*)
	Current Period	Current Period
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.

	YF(*)	TSKB GYO (*)
	Prior Period	Prior Period
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 (-)	(826)	-
Intangible Assets (-)	(1.131)	(13)
Total Core Capital	63.760	198.156
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	63.760	198.156

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

8.a.3 Information related to unconsolidated subsidiaries:

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

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD (*)	18.014	14.386	1.245	276	-	1.516	4.429	-
2	SD A.Ş. (*)	1.416	1.112	14	49	-	(202)	(152)	-

(*) The financial data are belongs to period ended 31 March 2017. The prior profit/loss has taken from the table belongs to 31 March 2016.

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

8.a.4 Information related to consolidated subsidiaries:

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

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (*)	977.969	75.266	1.958	6.340	206	2.691	433	-
TSKB GYO (*)	433.519	185.989	420	111	-	(12.179)	(2.746)	58.056

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

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	127.984	122.320
Movements During the Period	177	6.664
Purchases	-	1.000
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	177	5.664
Provision for Impairment	-	-
Balance At the End of the Period	128.161	127.984
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

Subsidiaries disposed in the current period

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

Subsidiaries purchased in the current period

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

8.a.6 Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	58.056	57.879
Quoted in Foreign Stock Exchange	-	-

9. Information related to entities under common control

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

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

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

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	13.439	(7.603)	11.907	-	-	(580)	(596)	
Anavarza Hotelier Corporation	2.816	64	62	6	-	(59)	(262)	

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

11. Information on derivative financial assets for hedging purposes

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

As of 31 March 2017, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

12. Information on tangible assets (net)

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

13. Information on intangible assets

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

14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 231.795 (31 December 2016: TL 231.323) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 31 March 2017 and 31 December 2016 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	23.020	-	-	-	23.020
Pendorya Mall	143.690	472	-	-	144.162
Adana Hotel Project	64.413	-	-	-	64.613
Total	231.323	472	-	-	231.795

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

15. Information on deferred tax assets

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

Deferred tax asset:	Current period	Prior period
Loan commissions accrual adjustment	17.631	17.378
Other provisions	20.804	18.003
Marketable securities	-	2.149
Employee benefit provision	2.551	2.151
Valuation of derivative instruments	-	-
Other	3.992	3.848
Total Deferred Tax Asset	44.978	43.529
Deferred tax liabilities:		
Marketable securities	(1.316)	-
Borrowings commissions accrual adjustment	(10.040)	(8.791)
Valuation of derivative instruments	(8.922)	(2.958)
Useful life difference of fixed assets	(436)	(457)
Others	(3.475)	(13.141)
Total Deferred Tax Liability	(24.189)	(25.347)
Net Deferred Tax Asset	20.789	18.182

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

There is no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. YF has deferred tax asset amounting to TL 3.234 calculated from tax losses amounting to TL 16.172 (31 December 2016: TL 15.175 tax loss / TL 3.035 deferred tax asset).

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

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2016: None).

16. Explanations on assets held for sale:

In the current period, the Group has no assets held for sale (31 December 2016: None).

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

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2016: None).

II. Explanations and disclosures related to the consolidated liabilities**1. Information on maturity structure of deposits****1.a.1 Maturity structure of deposits:**

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

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

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

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

The Parent 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	123.480	73.491	101.915	75.382
Futures Transactions	-	-	-	-
Options	-	99.918	-	125.627
Other	-	-	-	-
Total	137.182	174.560	115.009	205.788

3. Information on banks and other financial institutions

3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	66.047	362.221	47.169	313.101
From Foreign Banks, Institutions and Funds	98.718	15.983.843	100.083	15.667.143
Total	164.765	16.346.064	147.252	15.980.244

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	66.058	116.402	47.180	73.741
Medium and long-term	98.707	16.229.662	100.072	15.906.503
Total	164.765	16.346.064	147.252	15.980.244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

	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 Parent Bank's sales on the issuance of a maximum of USD 750 million bonds which will be held abroad or other securities transactions are completed, the Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 30 October 2019 with fixed interest rate of 5,375%, 5 years maturity and semi-annual coupon payment. As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5.125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semi-annual coupon payment. Selling of Greenbond which was issued by the Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5.048% and the coupon rate as 4.875%.

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

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

5. Explanations on financial lease obligations (net)

5.a Explanations on finance lease payables:

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

5.b Explanations regarding operational leases:

As of the reporting date, 1 head office building and 11 branches of the Group companies are subject to operational leasing. Additionally, 23 cars, 215 computers 27 tablets and 4 printers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2016: 1 head office, 11 branches and 25 cars and 160 computers are subject to operational leasing).

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

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

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

SECTION FIVE (Continued)

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

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

6. Information on derivative financial liabilities held for risk management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	(49.256)	-	(51.433)
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	(49.256)	-	(51.433)

7. Information on provisions

7.a Information on general loan loss provisions:

	Current Period	Prior Period
General Provisions	176.725	177.167
I.Provisions for First Group Loans and Receivables	153.556	154.541
II.Provisions for Second Group Loans and Receivables	3.855	3.902
Provisions for Non-Cash Loans	3.008	2.714
Other	16.306	16.010

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

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

7.d Information related to other provisions:

7.d.1 Provisions for possible losses:

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

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

	Current Period	Prior Period
Other Provisions (*)	104.907	90.962
Total	104.907	90.962

(*) Other provisions balance includes amount to TL 104.000 for the risks related to loan portfolio, amount to TL 583 for unindemnified non cash loans (31 December 2016: TL 90.000 other provision, and TL 583 provision for non-cash loans which are not indemnified.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on taxes payable

8.a Information on current taxes payable

8.a.1 Information on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable	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	1.105	753
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	4.959	3.564
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	188	246
Other	11.388	1.742
Total	60.036	11.371

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	137	121
Social Security Premiums-Employer	153	135
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	54	37
Unemployment Insurance-Employer	109	74
Other	19	41
Total	472	408

8.b Explanations on deferred taxes liabilities:

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

9. Information on liabilities regarding assets held for sale

None (31 December 2016: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	2.050.000	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 applications to BRSA and CMB related to increase has been performed, and the process is finalised as of report date.

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

None (31 December 2016: None).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity (continued)

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

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

11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 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	(14.818)	-	(21.522)	-
Valuation Differences	(28.561)	(1.828)	(25.843)	(26.774)
Foreign Exchange Difference	4.982	-	4.243	-
Total	(38.397)	(1.828)	(43.122)	(26.774)

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

1. Information on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	739.966	78.479
Commitments for Money Market Brokerage Purchase and Sales	67.291	45.194
Commitments for Use Guaranteed Credit Allocation	-	-
Commitments for Stock Brokerage Purchase and Sales	639.671	373.763
Commitments for Letter of Credit	473.229	467.812
Capital commitments for subsidiaries and associates (*)	74.974	68.367
Commitments from Forward Short Term Borrowing and Transfers	-	-
Other	292.982	289.821
Total	2.288.113	1.323.436

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

"The Bank has decided to participate in capital of Credit Guarantee Fund 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 credits, surety and acceptance amount to TL 762.379 (31 December 2016: TL 693.817).

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS
(Continued)III. Explanations and disclosures related to the consolidated off-balance sheet items
(Continued)

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

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

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

As of the reporting date, total letters of guarantee is TL 1.058.906 (31 December 2016: TL 975.391).

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

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	739.806	741.804
With Maturity of One Year or Less than One Year	62.232	278.690
With Maturity of More than One Year	677.574	463.114
Other Non-Cash Loans	1.081.477	927.404
Total	1.821.283	1.669.208

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

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

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

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

2. Information related to derivative financial instruments

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

3. Explanations on loan derivatives and risk exposures

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

4. Explanations on contingent liabilities and assets

There are 59 legal cases against the Group which are amounting to TL 5.918 as of the reporting date (31 December 2016: TL 7.215 - 45 legal cases).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

SECTION FIVE (Continued)

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

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

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

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

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

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

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

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient. Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision.

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.

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

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

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

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.

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	35.038	2.250	13.176	1.579
Medium and Long Term Loans	46.469	201.518	37.844	134.568
Interest on Non-performing Loans	-	48	961	46
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	81.507	203.816	51.981	136.193

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

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (*)	933	-	844	-
Domestic Banks	4.703	2.504	2.412	1.588
Foreign Banks	442	41	-	131
Branches and Head Office Abroad	-	-	-	-
Total	6.078	2.545	3.256	1.719

(*) 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.

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SECTION FIVE (Continued)

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

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

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	439	-	996	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	76.546	17.065	84.265	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 seem 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	4.060	1.846

2. Information on interest expense

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3.886	10.873	4.521	7.902
The Central Bank of Turkey	-	-	-	-
Domestic Banks	2.613	3.585	-	-
Foreign Banks	1.273	7.288	3.235	2.694
Branches and Head Office Abroad	-	-	1.286	5.208
Other Financial Institutions	689	62.815	381	39.596
Total (*)	4.575	73.688	4.902	47.498

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

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SECTION FIVE (Continued)

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

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

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

There is no interest expense to its associates and subsidiaries (31 March 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	629.454	368.349
Gains on capital market operations	1.319	3.881
Gains on derivative financial instruments (*)	300.427	228.208
Foreign exchange gains	327.708	136.260
Losses (-)	(634.352)	(378.456)
Losses on capital market operations	(860)	(1.190)
Losses on derivative financial instruments (*)	(289.572)	(307.168)
Foreign exchange losses	(343.920)	(70.098)

(*) Foreign exchange gain from derivative transactions amounting to TL 168.422 is presented in "Gains on derivative financial instruments" (31 March 2016: TL 81.475) foreign exchange loss from derivative transactions amounting to TL (159.959) is presented in "Losses on derivative financial instruments" (31 March 2016: TL (172.795)).

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SECTION FIVE (Continued)

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

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

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	1.717	3.024
Gains on Sale of Assets	73	74
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	70	59
From Other Asset Sales	3	15
Other (*)	8.517	6.150
Total	10.307	9.248

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	5.598	1.029
III. Group	4.895	1
IV. Group	1	-
V. Group	702	1.028
General provision expenses	518	2.346
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	22.320	16.385

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

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SECTION FIVE (Continued)

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

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel Expenses	24.873	23.300
Reserve for Employee Termination Benefits	473	624
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	1.271	1.187
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	204	139
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	5	5
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	13.043	8.117
Rent Expenses	5.668	1.149
Maintenance Expenses	360	351
Advertisement Expenses	395	410
Other Expenses	6.620	6.207
Loss on Sales of Assets	-	-
Other	7.868	4.487
Total	47.737	37.859

8. Information on tax provision for continued and discontinued operations

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

The Group's current tax charge for the period is TL 42.399 (31 March 2016: TL 36.010).
Deferred tax benefit is TL 8.097 (31 March 2016: TL 6.560 deferred tax benefit).

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

Deferred tax benefit calculated on temporary differences is TL 8.097 (31 March 2016: TL 6.560 deferred tax benefit).

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

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

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

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

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

As of 31 March 2017, the deferred tax benefit calculated based on temporary timing differences is TL 8.097 (31 March 2016: TL 6.560 tax benefit). Deferred tax income reflected in the income statement on carry forward tax losses, tax deductions and exceptions amounts to TL 1.349 (31 March 2016: TL 5.099 tax benefit).

In addition, TL 5.490 deferred tax effect which is calculated over the fair value differences on available for sale securities, is offset against the available for sale securities value increase fund item under equity (31 March 2016: TL 7.379 income).

9. Information on net profit from continued and discontinued operations

As of 31 March 2017, current net profit of the Group has increased by 3,32% compared to the prior period (31 March 2016: 39% increase).

10. Information on net profit/loss

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

The Group has generated TL 401.812 of interest income, TL 186.562 of interest expenses, TL 8.697 of net fee and commission income from banking operations (31 March 2016: TL 335.222 interest income, TL 144.595 interest expenses, TL 6.880 net fee and commission income).

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

There are no changes in the accounting estimates.

10.c Minority share of profit and loss:

The current year loss attributable to minority shares is TL 3.282 (31 March 2016: TL 747 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 54.975 (31 March 2016: TL 64.739).

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

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	6.784	6.232
Commissions from Initial Public Offering	669	16
Investment Fund Management Income	425	348
Other	960	669
Total	8.838	7.265

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SECTION FIVE (Continued)

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

V. Explanations on the risk group of the Parent Bank

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

1.a Current period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	294.292	7.878	21.131	-	90.035	-
Balance at the end of the period	337.958	8.286	22.190	-	100.627	-
Interest and commission income received	3.944	116	141	-	1.099	-

1.b Prior period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	340.358	322	53.167	117.412	91.272	-
Balance at the end of the period	294.292	7.878	21.131	-	90.035	-
Interest and commission income received (*)	1.845	1	290	108	988	-

(*) As of 31 March 2016.

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

The Parent Bank is not authorized to accept deposits.

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

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	417.925	97.511	-	-	-	-
End of the Period	433.385	417.925	-	-	-	-
Total Profit / Loss (*)	2.632	(5.846)	-	-	-	-
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 key management personnel in the current period amount to TL 6.134 (31 March 2016: TL 5.946).

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

SECTION FIVE (Continued)

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

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 consolidated 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 consolidated financial statements.

II. Explanations and notes prepared by independent auditors

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

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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. 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

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

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

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

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 3.9% 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 12% year-on-year to reach TRY 3.2 billion. As of March 31, 2017, the Bank posted a net profit of TRY 144 million with a 5% 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

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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.

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

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

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

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. Uygur Şafak Ögün, who all resigned from their positions as Members of the Board during the year,
- Releasing the Members of the Board of Directors,
- Making decisions about the determination and distribution of the dividend to be distributed, determining the date of dividend distribution,
- Determining the remuneration to be paid to the Members of the Board of Directors,
- Electing the Independent Audit Company,
- Amending Article 5 on capital in the Bank's Articles of Association,
- Determining the maximum limit of donations to be made in 2017,
- Granting permission to Board Members in relation to the transactions stated in Articles 395 and 396 of the Turkish Commercial Code,

were adopted by majority of votes.

The General Assembly was informed on the donations made during the year and on the transactions under Article 1.3.6 of the Corporate Governance Communique No.II-17.1 by the CMB.

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

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 consolidated 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 6.0% compared to 2016 year-end to reach TRY 26,376 million.

The total loan portfolio reached TRY 18,748 million, marking an increase of 35.5% on a year-on-year basis and 8.1% on a year-to-date basis. The fx-adjusted loan growth was 3.9% 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 11.9% on a year-on-year basis and by 2.5% compared to 2016 year-end to reach TRY 3,221 million. Standing at 14.6% as of 2016 year-end, the capital adequacy ratio increased to 17.38% as of the end of March 2017.

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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As of March 31, 2017, net profit increased by 5.1% on an annual basis to reach TRY 143,985 thousand.

The Bank recorded a return on equity of 19.3% in March 2016, 17.6% at 2016 year-end, and 18.1% in March 2017.

Return on assets was 2.5% in March 2016, decreasing to 2.1% at 2016 year-end before rising up to 2.2% in March 2017.

In the first three quarters of 2017, total operating income increased by 12.2% on an annual basis to reach TRY 233.4 million while other operating expenses rose by 26.1% to TRY 47.7 million. The cost-to-income ratio which stood at 17.9% in March 2016 and 22.4% at 2016 year-end fell slightly to 20.5% in the first three months of 2017.

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>