

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

**Independent Auditor's Audit Report, Consolidated Financial
Statements And Notes For The Year Ended
December 31, 2017**

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

Convenience Translation of the Independent Auditors' Report Originally Issued in Turkish (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

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

Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş (the Bank) and its subsidiaries as at 31 December 2017 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "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 BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying consolidated financial statements as at 31 December 2017 include a free reserve for possible risks amounting to TL 190.000 thousand, which is provided by the Group Management for possible results of the circumstances which may arise from possible changes in the economy and market conditions. In addition to that; a deferred tax asset is provided based on this reserve amounting to TL 41.800 thousand in the accompanying consolidated financial statements as at 31 December 2017. Due to this provision which does not meet the accounting principles of TAS 37, the net income as of 31 December 2017 is understated by TL 148.200 thousand, the other provisions and deferred tax assets are overstated by TL 190.000 thousand and TL 41.800 thousand, respectively.

Our audit was conducted in accordance with Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our *other* responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment of Loans and Receivables</i>	
<p>Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Related Explanations relating to the impairment of loans and receivables have been disclosed in Note 5 in the Explanations and Disclosures related to the Assets.</p>	<p>Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them.</p>
<i>Pension Fund Obligations</i>	
<p>Employees of the Bank are members of “TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı”, (“the Fund”), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in the Explanations on liabilities regarding employee benefits to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the Council of Ministers has been authorized to determine the transfer date.</p> <p>The Bank’s present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2017 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 16 January 2018, there is no need for technical or actual deficit to book provision as of 31 December 2017.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Bank Management uses Fund actuaries to assist in assessing these assumptions.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plans during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial auditor who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.</p>

<p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	
<p><i>Derivative Financial Instruments</i></p>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in differences related to derivative financial assets/liabilities held-for-trading disclosures.</p>	<p>Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing of operating effectiveness of the key controls in the process of fair value determination.</p>
<p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of Turkey Accounting Standards ("TAS") and Turkey Financial Reporting Standards ("TFRS").</p>

Other Matter

The consolidated financial statements of the Group as of December 31, 2016 were audited by another independent audit firm, who expressed an unqualified opinion in their audit reports dated February 1, 2017.

Responsibilities of Management and Directors for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's and its subsidiaries ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries' to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2017 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

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



30 January 2018
İstanbul, Türkiye

**THE CONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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

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

Subsidiaries

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

Associates

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

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

30 January 2018


H. Ersin ÖZİNCE

**Chairman of
Board of Directors**


Suat İNCE

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


Ece BÖRÜ

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


Tolga SERT

**Head of Financial
Control Department**


Ebru ÖZŞUCA

Member of Audit Committee


Mehmet ŞENCAN

Member of Audit Committee

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

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

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 license 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	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
T. İş Bankası A.Ş. Group	1.217.027	50,71	1.217.027	-
T. Vakıflar Bankası T.A.O.	201.060	8,38	201.060	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	981.913	40,91	981.913	-
Total	2.400.000	100,00	2.400.000	-

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

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 38,97% 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 YEAR ENDED 31 DECEMBER 2017

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

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

General Manager and Vice Presidents

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

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

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

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 Bank has executed marketing and valuation operations efficiently with two branches opened in Izmir and Ankara on April 2006.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 29,16% and the share of İş Faktoring A.Ş. is 0,89% . 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 DECEMBER 2017

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

		Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	10.595	836.540	847.135	161.305	616.771	778.076
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	203.405	132.688	336.093	139.799	247.238	387.037
2.1 Trading financial assets		203.405	132.688	336.093	139.799	247.238	387.037
2.1.1 Government debt securities		-	-	-	5.947	-	5.947
2.1.2 Share certificates		21	-	21	980	-	980
2.1.3 Derivative financial assets held for trading		194.100	132.688	326.788	126.798	247.238	374.036
2.1.4 Other marketable securities		9.284	-	9.284	6.074	-	6.074
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	(3)	464.978	28.709	493.687	75.108	422.841	497.949
IV. MONEY MARKET PLACEMENTS		3	-	3	63.796	191.138	254.934
4.1 Interbank money market placements		-	-	-	-	191.138	191.138
4.2 Istanbul Stock Exchange money market placements		-	-	-	62.895	-	62.895
4.3 Receivables from reverse repurchase agreements		3	-	3	901	-	901
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.052.830	1.038.542	3.091.372	2.048.308	1.020.104	3.068.412
5.1 Share certificates		45.259	27.821	73.080	28.081	18.582	46.663
5.2 Government debt securities		1.821.667	1.009.955	2.831.622	1.823.078	967.854	2.790.932
5.3 Other marketable securities		185.904	766	186.670	197.149	33.668	230.817
VI. LOANS AND RECEIVABLES	(5)	3.995.707	18.341.523	22.337.230	2.613.249	14.722.796	17.336.045
6.1 Loans and receivables		3.995.707	18.341.523	22.337.230	2.613.249	14.722.796	17.336.045
6.1.1 Loans to risk group of the Bank		104.450	229.951	334.401	193.048	212.410	405.458
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		3.891.257	18.111.572	22.002.829	2.420.201	14.510.386	16.930.587
6.2 Non performing loans		52.593	982	53.575	50.253	1.362	51.615
6.3 Specific provisions (-)		(52.593)	(982)	(53.575)	(50.253)	(1.362)	(51.615)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	1.334.721	197.326	1.532.047	1.188.990	186.739	1.375.729
8.1 Government debt securities		1.334.721	197.326	1.532.047	1.188.990	186.739	1.375.729
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	375.481	-	375.481	324.477	-	324.477
9.1 Accounted for under equity method		374.425	-	374.425	322.922	-	322.922
9.2 Unconsolidated associates		1.056	-	1.056	1.555	-	1.555
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.056	-	1.056	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)	-	63.410	63.410	-	3.792	3.792
12.1 Finance lease receivables		-	73.957	73.957	-	4.393	4.393
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(10.547)	(10.547)	-	(601)	(601)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	272	272
13.1 Fair value hedge		-	-	-	-	272	272
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	245.798	-	245.798	231.328	-	231.328
XV. INTANGIBLE ASSETS (Net)	(13)	3.585	-	3.585	3.098	-	3.098
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		2.580	-	2.580	2.093	-	2.093
XVI. INVESTMENT PROPERTY (Net)	(14)	243.145	-	243.145	231.323	-	231.323
XVII. TAX ASSET	(15)	45.338	-	45.338	21.214	-	21.214
17.1 Current tax asset		4.448	-	4.448	3.032	-	3.032
17.2 Deferred tax asset		40.890	-	40.890	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)	89.293	210.650	299.943	81.592	276.839	358.431
TOTAL ASSETS		9.068.248	20.849.388	29.917.636	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 DECEMBER 2017

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

		Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
LIABILITIES	Note Ref	TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	123.710	108.693	232.403	115.009	205.788	320.797
III. FUNDS BORROWED	(3)	221.012	18.780.615	19.001.627	147.252	15.980.244	16.127.496
IV. MONEY MARKET BALANCES		1.150.784	161.138	1.311.922	1.195.236	60.998	1.256.234
4.1 Interbank money market takings		202.143	-	202.143	610.144	-	610.144
4.2 Istanbul Stock Exchange money market takings		499.004	-	499.004	350.736	-	350.736
4.3 Funds provided under repurchase agreements		449.637	161.138	610.775	234.356	60.998	295.354
V. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	3.746.229	3.746.229	-	3.486.732	3.486.732
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	3.746.229	3.746.229	-	3.486.732	3.486.732
VI. FUNDS		1.178	11.723	12.901	1.511	3.806	5.317
6.1 Borrower funds		1.178	11.723	12.901	1.511	3.806	5.317
6.2 Others		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		15.134	59.961	75.095	16.774	80.097	96.871
VIII. OTHER LIABILITIES	(4)	113.609	2.318	115.927	96.608	133	96.741
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)	-	78.682	78.682	-	51.433	51.433
11.1 Fair value hedge		-	78.682	78.682	-	51.433	51.433
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(7)	431.625	-	431.625	279.033	-	279.033
12.1 General loan loss provisions		136.131	-	136.131	177.167	-	177.167
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		12.151	-	12.151	10.904	-	10.904
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		283.343	-	283.343	90.962	-	90.962
XIII. TAX LIABILITY	(8)	53.648	-	53.648	11.779	-	11.779
13.1 Current tax liability		53.648	-	53.648	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)	-	1.146.236	1.146.236	-	-	-
XVI. SHAREHOLDERS' EQUITY		3.698.901	12.440	3.711.341	3.169.827	(26.774)	3.143.053
16.1 Paid-in capital	(11)	2.400.000	-	2.400.000	2.050.000	-	2.050.000
16.2 Capital reserves		175.046	12.440	187.486	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)	(41.078)	12.440	(28.638)	(43.122)	(26.774)	(69.896)
16.2.4 Tangible assets revaluation differences	(11)	215.352	-	215.352	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		344	-	344	624	-	624
16.3 Profit reserves		441.740	-	441.740	408.096	-	408.096
16.3.1 Legal reserves	(11)	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	(11)	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		629.396	-	629.396	494.664	-	494.664
16.4.1 Prior years' profit/loss		18.219	-	18.219	51.233	-	51.233
16.4.2 Current year profit/loss		611.177	-	611.177	443.431	-	443.431
16.5 Non-controlling interests		52.719	-	52.719	57.969	-	57.969
TOTAL LIABILITIES AND EQUITY		5.809.601	24.108.035	29.917.636	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 DECEMBER 2017

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

		Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
	Note Ref	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		8,544.955	40,594.900	49,139.855	8,837.735	35,599.977	44,437.712
I. GUARANTEES AND COLLATERALS	(1)	562.998	2,010.713	2,573.711	210.448	1,458.760	1,669.208
1.1 Letters of guarantee		562.998	912.647	1,475.645	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		562.998	912.647	1,475.645	210.448	764.943	975.391
1.2 Bank acceptances		-	18.763	18.763	-	17.450	17.450
1.2.1 Import letters of acceptance		-	18.763	18.763	-	17.450	17.450
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	1,079.303	1,079.303	-	676.367	676.367
1.3.1 Documentary letters of credit		-	1,079.303	1,079.303	-	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)	2,302.694	3,908.771	6,211.465	2,318.595	6,274.080	8,592.675
2.1 Irrevocable commitments		1,896.825	327.095	2,223.920	1,022.236	301.200	1,323.436
2.1.1 Forward asset purchase and sales commitments		40.933	58.218	99.151	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		-	78.890	78.890	-	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		1,855.892	189.987	2,045.879	999.077	177.513	1,176.590
2.2 Revocable commitments		405.869	3,581.676	3,987.545	1,296.359	5,972.880	7,269.239
2.2.1 Revocable loan granting commitments		405.869	3,581.676	3,987.545	1,296.359	5,972.880	7,269.239
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	5,679.263	34,675.416	40,354.679	6,308.692	27,867.137	34,175.829
3.1 Derivative financial instruments for hedging purposes		-	10,582.050	10,582.050	-	7,747.800	7,747.800
3.1.1 Fair value hedge		-	10,582.050	10,582.050	-	7,747.800	7,747.800
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		5,679.263	24,093.366	29,772.629	6,308.692	20,119.337	26,428.029
3.2.1 Forward foreign currency buy/sell transactions		981.505	3,844.600	4,826.105	249.785	881.330	1,131.115
3.2.1.1 Forward foreign currency transactions-buy		485.006	1,928.162	2,413.168	126.329	441.469	567.798
3.2.1.2 Forward foreign currency transactions-sell		496.499	1,916.438	2,412.937	123.456	439.861	563.317
3.2.2 Swap transactions related to f.c. and interest rates		2,378.082	17,843.640	20,221.722	2,819.705	15,427.729	18,247.434
3.2.2.1 Foreign currency swaps-buy		576.866	2,996.840	3,573.706	1,098.878	2,724.038	3,822.916
3.2.2.2 Foreign currency swaps-sell		1,766.440	1,667.336	3,433.776	1,680.003	1,970.805	3,650.808
3.2.2.3 Interest rate swaps-buy		17.388	6,589.732	6,607.120	20.412	5,366.443	5,386.855
3.2.2.4 Interest rate swaps-sell		17.388	6,589.732	6,607.120	20.412	5,366.443	5,386.855
3.2.3 Foreign currency, interest rate and securities options		2,319.676	2,332.296	4,651.972	3,239.202	3,692.734	6,931.936
3.2.3.1 Foreign currency options-buy		1,159.838	1,166.148	2,325.986	1,619.601	1,846.367	3,465.968
3.2.3.2 Foreign currency options-sell		1,159.838	1,166.148	2,325.986	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		-	72.830	72.830	-	117.544	117.544
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		60,080.879	240,634.947	300,715.826	43,886.431	190,051.234	233,937.665
IV. ITEMS HELD IN CUSTODY		1,611.893	276.526	1,888.419	1,390.976	132.226	1,523.202
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		1,307.737	276.526	1,584.263	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		304.156	-	304.156	205.743	-	205.743
V. PLEDGED ITEMS		44,623.191	137,020.793	181,643.984	31,662.429	112,629.624	144,292.053
5.1 Marketable securities		448.045	8,985.543	9,433.588	450.941	7,564.328	8,015.269
5.2 Guarantee notes		108.486	2,362.047	2,470.533	97.196	2,042.232	2,139.428
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		1,662.868	36,518.097	38,180.965	428.385	29,854.058	30,282.443
5.6 Other pledged items		42,403.792	89,155.106	131,558.898	30,685.907	73,169.006	103,854.913
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS		13,845.795	103,337.628	117,183.423	10,833.026	77,289.384	88,122.410
TOTAL OFF BALANCE SHEET ITEMS (A+B)		68,625.834	281,229.847	349,855.681	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 YEAR ENDED 31 DECEMBER 2017

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

	Note Ref.	Audited Current Period 1 January 2017 – 31 December 2017	Audited Prior Period 1 January 2016 – 31 December 2016
I. INTEREST INCOME	(1)	1.873.822	1.409.679
1.1 Interest on loans		1.314.800	856.109
1.2 Interest received from reserve deposits		5.617	3.371
1.3 Interest received from banks		65.034	32.686
1.4 Interest received from money market placements		51.435	162.976
1.5 Interest received from marketable securities portfolio		432.988	353.658
1.5.1 Financial assets held for trading		2.120	2.808
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		240.899	263.787
1.5.4 Investments held-to-maturity		189.969	87.063
1.6 Finance lease income		1.659	27
1.7 Other interest income		2.289	852
II. INTEREST EXPENSES	(2)	(856.543)	(650.876)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(339.360)	(263.391)
2.3 Interest on money market borrowings		(253.328)	(237.442)
2.4 Interest on securities issued		(262.943)	(149.831)
2.5 Other interest expense		(912)	(212)
III. NET INTEREST INCOME (I - II)		1.017.279	758.803
IV. NET FEES AND COMMISSIONS INCOME		42.662	25.017
4.1 Fees and commissions received		53.752	36.387
4.1.1 Non-cash loans		15.625	10.650
4.1.2 Other	(11)	38.127	25.737
4.2 Fees and commissions paid		(11.090)	(11.370)
4.2.1 Non-cash loans		(2.400)	(1.401)
4.2.2 Other		(8.690)	(9.969)
V. DIVIDEND INCOME	(3)	5.421	11.486
VI. NET TRADING INCOME	(4)	(65.028)	(67.771)
6.1 Securities trading gains/ (losses)		5.851	3.832
6.2 Derivative financial instruments gains/losses		(209.793)	864
6.3 Foreign exchange gains/losses (net)		138.914	(72.467)
VII. OTHER OPERATING INCOME	(5)	68.409	26.643
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.068.743	754.178
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(202.826)	(70.499)
X. OTHER OPERATING EXPENSES (-)	(7)	(170.186)	(168.863)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		695.731	514.816
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		43.861	38.805
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	(8)	739.592	553.621
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(134.117)	(117.708)
16.1 Provision for current income taxes		(161.659)	(98.641)
16.2 Provision for deferred taxes		27.542	(19.067)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	605.475	435.913
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)	605.475	435.913
23.1 Group's profit / loss		611.177	443.431
23.2 Minority shares		(5.702)	(7.518)
Earnings / (losses) per share (Full Kuruş)		0,255	0,216

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS UNDER
SHAREHOLDERS' EQUITY
AS OF 31 DECEMBER 2017

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

	Audited Current Period 1 January 2017 – 31 December 2017	Audited Prior Period 1 January 2016 – 31 December 2016
PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	32.813	(45.816)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	16.315	26.725
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	3.604	1.816
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	7.264	(6.965)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(4.834)	9.450
X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	55.162	(14.790)
XI. CURRENT YEAR PROFIT/LOSS	605.475	435.913
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	(305)	3.402
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	605.780	432.511
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	660.637	421.123

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

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

CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Other Capital Reserves	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
Prior Period – 31 December 2016																			
I. Opening Balance		1.750.000	30	428	-	195.072	75.641	89.478	2.711	-	458.078	(27.755)	174.619	-	-	-	2.718.302	65.490	2.783.792
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)		1.750.000	30	428	-	195.072	75.641	89.478	2.711	-	458.078	(27.755)	174.619	-	-	-	2.718.302	65.490	2.783.792
Changes in the period																			
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	(43.957)	-	-	-	-	(43.957)	4	(43.953)
VI. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	(20)	-	26.549	-	-	-	26.529	-	26.529
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	1.816	-	-	-	-	1.816	-	1.816
XI. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		300.000	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		300.000	-	-	-	-	-	-	-	-	(300.000)	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	594	-	-	-	-	-	208	-	-	-	-	-	-	-	802	(7)	795
XIX. Period net income		-	-	-	-	-	-	-	-	443.431	-	-	-	-	-	-	443.431	(7.518)	435.913
XX. Profit distribution		-	-	-	-	21.289	-	23.697	-	-	(106.825)	-	-	-	-	-	(61.839)	-	(61.839)
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(61.839)	-	-	-	-	-	(61.839)	-	(61.839)
20.2 Transfers to reserves		-	-	-	-	21.289	-	23.697	-	-	(44.986)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		2.050.000	624	428	-	216.361	75.641	113.175	2.919	443.431	51.233	(69.896)	201.168	-	-	-	3.085.084	57.969	3.143.053
Current Period – 31 December 2017																			
I. Opening Balance		2.050.000	624	428	-	216.361	75.641	113.175	2.919	-	494.664	(69.896)	201.168	-	-	-	3.085.084	57.969	3.143.053
II. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	37.654	-	-	-	-	37.654	446	38.100
IV. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	14.184	-	-	-	14.184	-	14.184
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	3.604	-	-	-	-	3.604	-	3.604
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	(280)	-	-	-	-	-	-	-	-	-	-	-	-	-	(280)	6	(274)
XVII. Period net income		-	-	-	-	-	-	-	-	611.177	-	-	-	-	-	-	611.177	(5.702)	605.475
XVIII. Profit distribution		-	-	-	-	24.931	-	8.713	-	-	(126.445)	-	-	-	-	-	(92.801)	-	(92.801)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(92.801)	-	-	-	-	-	(92.801)	-	(92.801)
18.2 Transfers to reserves		-	-	-	-	24.931	-	8.713	-	-	(33.644)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		2.400.000	344	428	-	241.292	75.641	121.888	2.919	611.177	18.219	(28.638)	215.352	-	-	-	3.658.622	52.719	3.711.341

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 YEAR ENDED 31 DECEMBER 2017

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

	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		842.031	947.791
1.1.1 Interest received		1.578.190	1.072.495
1.1.2 Interest paid		(846.414)	(566.925)
1.1.3 Dividends received		5.421	11.486
1.1.4 Fees and commissions received		53.752	36.387
1.1.5 Other income		99.565	82.952
1.1.6 Collections from previously written off loans		4.477	12.953
1.1.7 Payments to personnel and service suppliers		(122.637)	(128.739)
1.1.8 Taxes paid		(122.638)	(135.445)
1.1.9 Others	(1)	192.315	562.627
1.2 Changes in operating assets and liabilities		(2.318.417)	(2.405.281)
1.2.1 Net (increase) decrease in financial assets		4.853	26.525
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(2.839.528)	(1.387.620)
1.2.5 Net (increase) decrease in other assets		(154.658)	67.160
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		639.937	(33.866)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	30.979	(1.077.480)
I. Net cash provided by/(used in) banking operations		(1.476.386)	(1.457.490)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		79.838	(355.952)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	-	(1.000)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3 Fixed asset purchases	(2)	(4.736)	(4.065)
2.4 Fixed asset sales	(3)	329	306
2.5 Cash paid for purchase of financial assets available for sale		(781.787)	(1.002.141)
2.6 Cash obtained from sale of financial assets available for sale		867.314	652.646
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(2)	(1.282)	(1.698)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		984.199	816.470
3.1 Cash obtained from funds borrowed and securities issued		1.077.000	878.309
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(92.801)	(61.839)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	751	42.458
V. Net increase / (decrease) in cash and cash equivalents		(411.598)	(954.514)
VI. Cash and cash equivalents at beginning of the period	(4)	915.846	1.870.360
VII. Cash and cash equivalents at end of the period	(4)	504.248	915.846

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Audited Current Period 31 December 2017 (*)	Audited Prior Period 31 December 2016
I. DISTRIBUTION OF CURRENT YEAR INCOME (**)		
1.1 CURRENT YEAR INCOME	727.303	593.252
1.2 TAXES AND DUTIES PAYABLE	(131.635)	(116.807)
1.2.1 Corporate Tax (Income tax)	(161.659)	(98.641)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	30.024	(18.166)
A. NET INCOME FOR THE YEAR (1.1-1.2)	595.668	476.445
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	23.822
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	595.668	452.623
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	135.841
1.6.1 To owners of ordinary shares	-	135.841
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	9.503
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	1.585
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	296.159
1.9.1 To owners of ordinary shares	-	296.159
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	1.109
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	8.426
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES	-	-
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE(***)		
3.1 TO OWNERS OF ORDINARY SHARES	0,25	0,23
3.2 TO OWNERS OF ORDINARY SHARES (%)	24,82	23,24
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	0,21
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	21,07
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Since the Board of Directors has not prepared any proposal for profit distribution relating to the year 2017 yet, only profit available for distribution for the year 2017 is presented.

(**) According to the regulation in Turkey, companies do not distribute profits based on consolidated. Profit distribution is based on non-consolidated financial statements.

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

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

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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 investment properties 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 Parent 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 Parent Bank. In accordance with TFRS 9 Financial Instruments Standard, the Bank calculates the general loan loss provision to be approximately at an amount of TL 120 – 150 Million in the opening balance of 1 January 2018.

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 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.

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.

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

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

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

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

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

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

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

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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 depends 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 Standard (“TAS 39”) “Financial Instruments: Recognition and Measurement”.

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

V. Explanations on interest income and expenses

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on fees and commission income and expenses

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

VII. Explanations on financial assets

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

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

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

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

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

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

Cash, Banks and Other Financial Institutions:

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

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

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. In the securities portfolio of the Parent Bank, there are Consumer Price Indexed (CPI) Government Bonds. These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor’s Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI’s. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Parent Bank which are updated as needed within the year.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

Explanations on investments in associates and subsidiaries:

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

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.

Cash loans are composed of foreign currency indexed loans, working capital loans, investment loans and export financing 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.

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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 loan loss 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. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entry remains committed to its plan to sell the asset (or disposal group). A discontinued operation is a component of a bank that either has been disposed of , or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on goodwill and other intangible assets

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

An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis 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 except properties, 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.

Regular 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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. Explanations on tangible assets (continued)

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashvault	4-50	2-25
Vehicles	5	20
Buildings	50	2
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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits

Bank calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 months period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19. Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

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

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

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

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

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

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

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2017 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 16 January 2018. There is no need for technical or actual deficit to book provision as of 31 December 2017.

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 charge and deferred tax benefit or charge. 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. 20% is used in the calculation of the corporate tax. In accordance with the Temporary Article 10 added to the Corporate Tax Law, 20% of the Corporate Tax will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

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 loan loss provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No: 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. Explanations on taxation (continued)

Transfer pricing

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

XVIII. Additional explanations on borrowings

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

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

XIX. Explanations on share certificates issued

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

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

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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXII. Explanations on segment reporting (continued)

The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

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	494.462	544.800	(21.983)	1.017.279
Net Fees and Commission Income	15.521	(1.086)	28.227	42.662
Other Income	34.150	-	109.585	143.735
Other Expense	(119.127)	(60.193)	(284.764)	(464.084)
Profit Before Tax	425.006	483.521	(168.935)	739.592
Tax Provision				(134.117)
Net Profit				605.475
Group's profit / loss				611.177
Minority share profit / loss				(5.702)
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	22.294.423	5.777.357	1.467.006	29.538.786
Investment in Associates and Subsidiaries	-	-	378.850	378.850
Total Assets	22.294.423	5.777.357	1.845.856	29.917.636
Segment Liabilities	24.312.703	398.797	1.494.795	26.206.295
Shareholders' Equity	-	-	3.711.341	3.711.341
Total Liabilities	24.312.703	398.797	5.206.136	29.917.636

Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	353.064	424.040	(18.301)	758.803
Net Fees and Commission Income	10.602	(5.617)	20.032	25.017
Other Income	12.656	-	216.020	228.676
Other Expense	(81.091)	(67.661)	(310.123)	(458.875)
Profit Before Tax	295.231	350.762	(92.372)	553.621
Tax Provision				(117.708)
Net Profit				435.913
Group's profit / loss				443.431
Minority share profit / loss				(7.518)
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

XXIII. Explanations on other matters

None.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to consolidated shareholders' equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As at 31 December 2017 capital adequacy ratio of Bank has been calculated as 17,03%.

	Consolidated	Consolidated
	Current Period(*)	Prior Period(*)
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.401.116	2.050.374
Share premiums	428	428
Reserves	441.740	408.096
Other comprehensive income according to TAS	279.380	249.270
Profit	629.396	494.664
Current Period Profit	611.177	443.431
Prior Period Profit	18.219	51.233
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	52.719	57.969
Core Equity Tier 1 Capital Before Deductions	3.804.779	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	92.666	117.998
Leasehold improvements on operational leases	5.440	5.986
Goodwill (net of related tax liability)	804	603
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	2.064	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	(772)	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	20.892	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	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Explanations related to consolidated shareholders' equity (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier I Capital	121.094	145.429
Core Equity Tier I Capital	3.683.685	3.115.372
ADDITIONAL TIER I CAPITAL	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (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 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	717	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	717	1.239
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	3.682.968	3.114.133
TIER II CAPITAL	-	-
Debt instruments and the related issuance premiums defined by the BRSA	1.125.750	-
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)	136.131	177.167
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
Tier II Capital Before Deductions	1.261.881	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.	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Explanations related to consolidated shareholders' equity (continued)

Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1.261.881	177.167
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.944.849	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	-	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	5.223	12.891
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.939.626	3.278.040
Total Risk Weighted Assets	29.002.503	22.507.376
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	12,70	13,84
Tier I Capital Adequacy Ratio (%)	12,70	13,84
Capital Adequacy Ratio (%)	17,03	14,56
BUFFERS		
Total buffer requirement (%)	1,255	0,632
Capital conservation buffer requirement (%)	1,250	0,630
Bank specific counter-cyclical buffer requirement (%)	0,005	0,002
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	8,20	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	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

I. Explanations related to consolidated shareholders' equity (continued)

Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	136.131	177.167
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	136.131	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	-	-

()Under this heading, total amounts which will be reached at the end of the transition process by the items exposed to gradual transition in accordance with the "Regulation on Equities of Banks", which was enacted on 1/1/2014.*

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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, Cominque on Subordinated Liabilities of CMB numbered CMB-II-31.1
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date – Million USD)	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Loans
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (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)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
Write-down feature	
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seen in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliance 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 credit risk

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

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

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

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

In accordance with Communiqué on Reserves;

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

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

	Current Period		Prior Period	
	Risk Amount (1)	Average Risk Amount(2)	Risk Amount (1)	Average Risk Amount(2)
Exposures to sovereigns and their central banks	5.480.685	5.241.800	5.366.381	4.851.148
Exposures to regional and local governments	3.000	3.000	3.000	2.761
Exposures to administrative bodies and noncommercial entities	1.526	8.741	10.269	8.924
Exposures to multilateral development banks	-	-	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	3.226.191	4.382.330	3.065.003	4.516.002
Exposures to corporates	34.308.386	29.940.592	24.072.266	18.644.361
Retail exposures	-	-	-	-
Exposures secured by property	991.399	1.049.534	1.152.136	1.243.116
Past due receivables	-	-	-	-
Exposures in higher-risk categories	583	97	-	30
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short term exposures to banks, brokerage houses and	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	286
Equity investments	399.609	366.478	326.615	167.833
Other exposures	1.208.795	1.155.102	675.058	691.233

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

(2) Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from 1 January 2017 to the period end.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the the Parent Bank's management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole. If exposed to a significant degree of credit risk, the Parent Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts. The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans. Rescheduled loans are monitored within the Parent Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

The Parent Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern. The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks.

The first 100 and 200 largest cash loans constitute 73,98% and 92,82% of the total cash loans portfolio of the Group respectively (31 December 2016: 80,64% and 96,98%)

The first 100 and 200 largest non cash loans constitute 100% and 100% of the total non cash loans portfolio of the Group respectively (31 December 2016: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 72,53% and 91,93% of the total on and off balance sheet accounts of the Group respectively (31 December 2016: 78,80% and 96,38%).

The Parent Bank calculated the general loan loss provision of TL 136.131 (31 December 2016: TL 177.167).

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	872.974	591.176
High Grade	1.941.211	1.826.700
Average Grade	20.098.076	15.520.292
Below Average Grade	722.407	538.242
Impaired	54.741	52.784
Total	23.689.409	18.529.194

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

As of the reporting date, the total of the Group’s cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 25.027.926 and TL 1.338.517 of these customers have not been rated (31 December 2016: TL 19.060.660, TL 531.466).

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

	Current Period (1)				Prior Period			
	31- 60 Days	61- 90 Days	Other	Total	31- 60 Days	61- 90 Days	Other	Total
Corporate Loans	-	1.212	36.513	37.725	-	-	7.330	7.330
SME Loans	-	-	-	-	-	-	-	-
Consumer Loans	-	-	-	-	-	-	-	-
Total	-	1.212	36.513	37.725	-	-	7.330	7.330

(1) Only the overdue amounts of the loans included in the related items are included and the total credit amount of the related loans is TL 296.391 .

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Profile of Significant Exposures in Major Region

Current Period	Risk Types (*)																Total
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	
Domestic	5.488.609	600	1.342	-	-	1.596.257	22.834.531	-	987.801	-	292	-	-	-	119.992	548.749	31.578.173
European Union (EU) Countries	-	-	-	-	-	150.422	-	-	-	-	-	-	-	-	27.821	78.902	257.145
OECD Countries (**)	-	-	-	-	-	14.371	-	-	-	-	-	-	-	-	-	-	14.371
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	19.412	-	-	-	-	-	-	-	-	-	-	19.412
Other Countries	-	-	-	-	-	54.983	108.752	-	-	-	-	-	-	-	-	-	163.735
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	251.796	-	251.796
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	999	-	-	-	-	-	-	-	-	35.292	36.291
Total	5.488.609	600	1.342	-	-	1.835.445	22.944.282	-	987.801	-	292	-	-	-	399.609	662.943	32.320.923

(*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization exposure "Securitization Exposure" column has been deleted.

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Profile of Significant Exposures in Major Region (continued)

	Risk Types (*)																
Prior Period	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	Total
Domestic	5.206.648	600	3.091	-	-	1.589.710	16.952.527	-	1.129.502	-	-	-	-	-	82.632	473.784	25.438.494
European Union (EU) Countries	-	-	-	-	-	256.090	-	-	-	-	-	-	-	-	12.818	-	268.908
OECD Countries (**)	-	-	-	-	-	2.229	-	-	-	-	-	-	-	-	-	-	2.229
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	33.839	-	-	-	-	-	-	-	-	-	-	33.839
Other Countries	-	-	-	-	-	152.201	70.007	-	-	-	-	-	-	-	-	-	222.208
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	213.903	-	-	-	-	-	-	-	225.401	-	439.304
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	5.212	-	-	-	-	-	-	-	5.764	120.773	131.749
Total	5.206.648	600	3.091	-	-	2.034.069	17.241.649	-	1.129.502	-	-	-	-	-	326.615	594.557	26.536.731

(*) Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used. Since there is no securitization exposure "Securitization Exposure" column has been deleted.

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

	Risk Types (*)																		
Current Period	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	TL	FC	Total
Agriculture	-	-	-	-	-	-	41.147	-	-	-	-	-	-	-	-	340	36.935	4.552	41.487
Farming and Stockbreeding	-	-	-	-	-	-	41.147	-	-	-	-	-	-	-	-	-	36.595	4.552	41.147
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	15.321.606	-	259.337	-	292	-	-	-	7	2.553	1.312.515	14.271.280	15.583.795
Mining and Quarrying	-	-	-	-	-	-	167.944	-	-	-	-	-	-	-	-	-	-	167.944	167.944
Production	-	-	-	-	-	-	4.936.560	-	259.337	-	-	-	-	-	7	-	1.015.198	4.180.706	5.195.904
Electricity, Gas and Water	-	-	-	-	-	-	10.217.102	-	-	-	292	-	-	-	-	2.553	297.317	9.922.630	10.219.947
Construction	-	-	-	-	-	-	1.066.097	-	111.297	-	-	-	-	-	-	72	172.732	1.004.734	1.177.466
Services	847.110	-	-	-	-	1.835.445	6.368.136	-	607.131	-	-	-	-	-	399.602	90.055	2.217.338	7.930.141	10.147.479
Wholesale and Retail Trade	-	-	-	-	-	-	487.101	-	-	-	-	-	-	-	-	8.045	102.766	392.380	495.146
Accommodation and Dining	-	-	-	-	-	-	283.463	-	532.342	-	-	-	-	-	1.760	-	67.653	749.912	817.565
Transportation and Telecommunication	-	-	-	-	-	-	1.242.094	-	-	-	-	-	-	-	1.056	-	21.281	1.221.869	1.243.150
Financial Institutions	847.110	-	-	-	-	1.835.445	2.254.901	-	-	-	-	-	-	-	395.176	82.010	1.755.503	3.659.139	5.414.642
Real Estate and Rental Services	-	-	-	-	-	-	742.817	-	51.534	-	-	-	-	-	-	-	557	793.794	794.351
Professional Services	-	-	-	-	-	-	502.906	-	-	-	-	-	-	-	1.610	-	239.302	265.214	504.516
Educational Services	-	-	-	-	-	-	107.892	-	23.255	-	-	-	-	-	-	-	2.632	128.515	131.147
Health and Social Services	-	-	-	-	-	-	746.962	-	-	-	-	-	-	-	-	-	27.644	719.318	746.962
Others	4.641.499	600	1.342	-	-	-	147.296	-	10.036	-	-	-	-	-	-	569.923	3.921.393	1.449.303	5.370.696
Total	5.488.609	600	1.342	-	-	1.835.445	22.944.282	-	987.801	-	292	-	-	-	399.609	662.943	7.660.913	24.660.010	32.320.923

(*) Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Profile of Significant Exposures in Major Region (continued)

	Risk Types (*)																		
	Exposures to sovereigns and their central banks	Exposures to regional and local governments	Exposures to administrative bodies and noncommercial entities	Exposures to multilateral development banks	Exposures to international organizations	Exposures to banks and securities firms	Exposures to corporates	Retail exposures	Exposures secured by property	Past due receivables	Exposures in higher-risk categories	Exposures in the form of bonds secured by mortgages	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Equity investments	Other exposures	TL	FC	Total
Prior Period																			
Agriculture	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	359	10.810	2.036	12.846
Farming and Stockbreeding	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	-	10.451	2.036	12.487
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359	359	-	359
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	12.324.983	-	495.823	-	-	-	-	-	7	-	1.020.208	11.800.605	12.820.813
Mining and Quarrying	-	-	-	-	-	-	86.022	-	-	-	-	-	-	-	-	-	-	86.022	86.022
Production	-	-	-	-	-	-	3.548.502	-	474.373	-	-	-	-	-	7	-	593.201	3.429.681	4.022.882
Electricity, Gas and Water	-	-	-	-	-	-	8.690.459	-	21.450	-	-	427.007	-	-	-	-	8.284.902	8.711.909	
Construction	-	-	-	-	-	-	178.218	-	7.390	-	-	-	-	-	-	-	9.375	176.233	185.608
Services	969.182	-	-	-	-	2.034.069	4.601.255	-	612.336	-	-	-	-	-	320.844	57.341	1.462.874	7.132.153	8.595.027
Wholesale and Retail Trade	-	-	-	-	-	-	230.387	-	6.843	-	-	-	-	-	-	-	1.323	235.907	237.230
Accommodation and Dining	-	-	-	-	-	-	467.364	-	189.878	-	-	-	-	-	1.760	-	1.760	657.242	659.002
Transportation and Telecommunication	-	-	-	-	-	-	740.741	-	111.524	-	-	-	-	-	1.555	-	1.558	852.262	853.820
Financial Institutions	969.182	-	-	-	-	2.034.069	1.636.099	-	-	-	-	-	-	-	315.919	57.341	1.255.215	3.757.395	5.012.610
Real Estate and Rental Services	-	-	-	-	-	-	316.391	-	262.596	-	-	-	-	-	-	-	2.493	576.494	578.987
Professional Services	-	-	-	-	-	-	593.783	-	-	-	-	-	-	-	1.610	-	196.138	399.255	595.393
Educational Services	-	-	-	-	-	-	123.427	-	14.928	-	-	-	-	-	-	-	4.387	133.968	138.355
Health and Social Services	-	-	-	-	-	-	493.063	-	26.567	-	-	-	-	-	-	-	-	519.630	519.630
Others	4.237.467	600	3.091	-	-	-	125.458	-	13.201	-	-	-	-	-	5.764	536.856	3.552.539	1.369.898	4.922.437
Total	5.206.649	600	3.091	-	-	2.034.069	17.241.649	-	1.129.502	-	-	-	-	-	326.615	594.556	6.055.806	20.480.925	26.536.731

(*) Since there is no securitization position, risk class of "Securitization Positions" has not been included in the table.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Current Period					
Exposures to sovereigns and their central banks	833.407	99.329	90.978	178.503	3.991.484
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	700.266	272.029	76.105	4	662.893
Exposures to corporates	829.608	903.970	1.311.584	1.444.613	18.302.190
Retail exposures	-	-	-	-	-
Exposures secured by property	3.141	1.049	51.094	65.371	866.781
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	165	-	126
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	2.193	-	-	-	44.162
Total	2.368.615	1.276.377	1.529.926	1.688.491	23.867.636

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities (continued)

Risk Types	Term to Maturity				
Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	622.367	1.165	377.492	148.307	3.286.448
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	1.357	-	-	-	1.674
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	688.888	92.659	188.064	54.380	662.115
Exposures to corporates	98.556	545.345	528.064	1.202.850	14.730.991
Retail exposures	-	-	-	-	-
Exposures secured by property	1.939	395	21.327	11.868	1.084.680
Past due receivables	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-
Equity investments	-	-	-	-	-
Other exposures	5.552	-	-	-	16.866
Total	1.418.659	639.564	1.114.947	1.417.405	19.782.774

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
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II. Explanations related to consolidated credit risk (continued)

Credit risk under standard approach

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

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

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

Exposures by risk weights

Current Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation	4.061.014	-	1.028.509	496.367	-	26.841.250	-	-	-	127.034
Exposures After Credit Risk Mitigation	4.244.689	-	1.028.509	1.484.168	-	25.563.557	-	-	-	127.034

(*)The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Prior Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation	3.214.264	84	514.253	5.022.499	-	17.855.097	-	-	-	159.928
Exposures After Credit Risk Mitigation	3.214.264	84	514.253	6.152.000	-	16.656.130	-	-	-	159.928

(*)The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Information of major sectors or type of counterparties

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

Current Period		Loans		Value	
Major Sectors / Counterparties	Impaired Loans	Past Due Loans (1)	Adjustments (2)	Provisions (3)	
Agriculture	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-
Forestry	-	-	-	-	-
Fishery	-	-	-	-	-
Manufacturing	40.800	-	-	-	(40.800)
Mining and Quarrying	193	-	-	-	(193)
Production	6.866	-	-	-	(6.866)
Electricity, Gas and Water	33.741	-	-	-	(33.741)
Construction	8.722	1.212	24	-	(8.722)
Services	3.945	36.513	5.904	-	(3.945)
Wholesale and Retail Trade	931	-	-	-	(931)
Accommodation and Dining	710	-	-	-	(710)
Transportation and Telecommunication	57	36.513	5.904	-	(57)
Financial Institutions	2.091	-	-	-	(2.091)
Real Estate and Rental Services	-	-	-	-	-
Professional Services	156	-	-	-	(156)
Educational Services	-	-	-	-	-
Health and Social Services	-	-	-	-	-
Others	108	-	-	-	(108)
Total	53.575	37.725	5.928		(53.575)

(1) Represents loans under follow-up and delayed between 31-90 days. Only the overdue amounts of the loans included in the related items and the total credit amount of the related loans is TL 296.391.

(2) Represents the general provision amounts, which are calculated by considering both due and non due amounts of past due loans.

(3) Represents specific provisions reserved for impaired loans.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

Information of major sectors or type of counterparties (continued)

Prior Period	Loans			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans (1)	Value Adjustments (2)	Provisions (3)
Agriculture	3.446	-	-	(3.446)
Farming and Stockbreeding	3.446	-	-	(3.446)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	35.902	-	-	(35.902)
Mining and Quarrying	193	-	-	(193)
Production	1.972	-	-	(1.972)
Electricity, Gas and Water	33.737	-	-	(33.737)
Construction	9.091	-	-	(9.091)
Services	3.044	7.330	2.578	(3.044)
Wholesale and Retail Trade	870	-	-	(870)
Accommodation and Dining	674	-	-	(674)
Transportation and Telecommunication	57	7.330	2.578	(57)
Financial Institutions	1.287	-	-	(1.287)
Real Estate and Rental Services	-	-	-	-
Professional Services	156	-	-	(156)
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	132	-	-	(132)
Total	51.615	7.330	2.578	(51.615)

(1) Represents loans delayed between 31-90 days. Only the overdue amounts of the loans included in the related items and the total credit amount of the related loans is TL 257.761.

(2) Represents the general provision amounts, which are calculated by considering both due and non due amounts of past due loans.

(3) Represents specific provisions reserved for impaired loans.

Information related with value adjustments and loan loss provisions

Current Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	51.615	6.436	(4.476)	-	53.575
General Loan Loss Provision	177.167	-	(41.036)	-	136.131

Prior Period	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	61.017	3.567	(12.969)	-	51.615
General Loan Loss Provision	144.043	33.124	-	-	177.167

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

II. Explanations related to consolidated credit risk (continued)

Exposures Subject to Countercyclical Capital Buffer

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

Information about receivables from consolidated private sector:

Current Period	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
Country risk taken ultimately			
United States	3.389	-	3.389
Georgia	108.752	-	108.752
England	3.135	-	3.135
Turkey	25.401.525	268.023	25.669.548
Total	25.516.801	268.023	25.784.824

Prior Period	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
Country risk taken ultimately			
United States	6.376	-	6.376
Georgia	70.007	-	70.007
England	4.553	-	4.553
Turkey	17.518.414	240.927	17.759.341
Total	17.599.350	240.927	17.840.277

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

III. 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 December 2017	3,7525	4,4824
<u>Prior Five Workdays:</u>		
29 December 2017	3,7525	4,4824
28 December 2017	3,7875	4,5174
27 December 2017	3,7825	4,4925
26 December 2017	3,7775	4,4831
25 December 2017	3,7800	4,4823

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 3,8195 and 4,5225 respectively.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

III. 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	354.145	409.565	72.830	836.540
Banks	14.819	12.131	1.759	28.709
Financial Assets at Fair Value Through Profit and Loss (1)	25.936	30.715	1.365	58.016
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	55.335	983.207	-	1.038.542
Loans (2)	9.136.079	10.951.604	-	20.087.683
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	197.326	-	197.326
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	73.652	199.842	-	273.494
Total Assets	9.659.966	12.784.390	75.954	22.520.310
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	98.426	62.712	-	161.138
Funds Provided From Other Financial Institutions	9.559.098	9.221.510	7	18.780.615
Marketable Securities Issued (4)	-	4.892.465	-	4.892.465
Miscellaneous Payables	18.882	40.794	285	59.961
Derivative Financial Liabilities for Hedging Purposes	-	78.682	-	78.682
Other Liabilities (5)	25.560	16.525	2.573	44.658
Total Liabilities	9.701.966	14.312.688	2.865	24.017.519
Net Balance Sheet Position	(42.000)	(1.528.298)	73.089	(1.497.209)
Net Off-Balance Sheet Position	(194.420)	1.508.745	(72.110)	1.242.215
Financial Derivative Assets	1.090.414	4.529.407	487.346	6.107.167
Financial Derivative Liabilities	(1.284.834)	(3.020.662)	(559.456)	(4.864.952)
Non-Cash Loans (6)	883.016	1.125.806	1.891	2.010.713
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

(1) Exchange rate differences arising from derivative transactions amounting to TL 74.672 is deducted from "Financial Assets at Fair Value through Profit and Loss".

(2) Loans include TL 1.746.160 foreign currency indexed loans.

(3) Forward foreign exchange purchase transaction rediscounts amounting to TL 566 have not been included in "Other Assets".

(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

(5) Marketable securities value increase fund amounting to TL 12.440 and exchange rate differences arising from derivative transactions amounting to TL 78.060 and forward foreign exchange purchase transaction rediscounts amounting to TL 16 have not been included in "Other Liabilities".

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

III. Explanations related to consolidated currency risk (continued)

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

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

	Increase in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
		Current Period	Prior Period	Current Period	Prior Period
	%				
US Dollar	10	(2.555)	(1.955)	600	(3.185)
Euro	10	(23.808)	(19.425)	166	337
Other	10	98	73	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (1)		Effect on Equity (2)	
		Current Period	Prior Period	Current Period	Prior Period
	%				
US Dollar	10	2.555	1.955	(600)	3.185
Euro	10	23.808	19.425	(166)	(337)
Other	10	(98)	(73)	-	-

(*) Values expressed are before the tax effect.

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

IV. Explanations related to consolidated interest rate risk

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

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

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

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

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	420.135	-	-	-	-	427.000	847.135
Banks	279.626	194.572	-	-	-	19.489	493.687
Financial Assets at Fair Value Through Profit and Loss	74.832	148.151	83.756	28.334	-	1.020	336.093
Money Market Placements	3	-	-	-	-	-	3
Available-for-Sale Financial Assets	88.570	155.606	1.047.061	971.432	755.623	73.080	3.091.372
Loans	3.493.798	6.649.087	8.107.041	3.372.960	714.344	-	22.337.230
Held-to-Maturity Investments	201.806	723.091	409.824	-	197.326	-	1.532.047
Other Assets	1.851	-	3.861	46.593	11.105	1.216.659	1.280.069
Total Assets	4.560.621	7.870.507	9.651.543	4.419.319	1.678.398	1.737.248	29.917.636
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.277.713	87	34.122	-	-	-	1.311.922
Miscellaneous Payables	-	-	-	-	-	75.095	75.095
Marketable Securities Issued (2)	-	-	-	3.746.229	1.146.236	-	4.892.465
Funds Provided from Other Financial Institutions	3.922.001	6.507.042	4.065.817	2.343.537	2.163.230	-	19.001.627
Other Liabilities (3)	44.825	128.938	98.428	46.791	5.004	4.312.541	4.636.527
Total Liabilities	5.244.539	6.636.067	4.198.367	6.136.557	3.314.470	4.387.636	29.917.636
Balance Sheet Long Position	-	1.234.440	5.453.176	-	-	-	6.687.616
Balance Sheet Short Position	(683.918)	-	-	(1.717.238)	(1.636.072)	(2.650.388)	(6.687.616)
Off-Balance Sheet Long Position	-	-	-	4.878.400	412.774	-	5.291.174
Off-Balance Sheet Short Position	35.614	(1.508.556)	(3.750.901)	-	-	-	(5.223.843)
Total Position	(648.304)	(274.116)	1.702.275	3.161.162	(1.223.298)	(2.650.388)	67.331

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, 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.

(2) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

(3) Borrower funds amounting to TL 12.901 are presented in "Other Liabilities" within 1-month maturity column.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
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IV. Explanations related to consolidated interest rate risk (continued)

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

Prior Period	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
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 (2)	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

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, 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.

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

IV. 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	-	1,43	-	3,48
Banks	1,00	-	-	15,47
Financial Assets at Fair Value Through Profit and Loss	-	-	-	14,90
Money Market Placements	-	-	-	11,01
Available-for-Sale Financial Assets	5,61	4,55	-	11,71
Loans	4,00	6,16	-	14,90
Held-to-Maturity Investments	-	5,59	-	11,69
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,28	0,50	-	12,98
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,71	-	-
Borrower Funds	0,25	0,50	-	8,00
Funds Provided From Other Financial Institutions	1,01	2,37	-	7,74

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IV. 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

V. 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	301.878	-	314.891
Quoted	301.878	-	314.891

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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V. 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		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	75	75	-
Other Share Certificates	-	12.634	12.634	-	-	-
Total	-	12.634	12.634	-	-	-

Prior Period		Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Realized Revenues and Losses in Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	159	159	-
Other Share Certificates	114	7.610	7.610	-	-	-
Total	114	7.610	7.610	159	159	-

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VI. Consolidated liquidity risk management and coverage ratio

1. Explanations related to the consolidated liquidity risk

1.a Information 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

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments. The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding its risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings. The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

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

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

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 Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.

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

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

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

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

1.d Information on consolidated liquidity risk mitigation techniques:

Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article C. The Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

1.e Information on the use of stress tests

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

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 Parent Bank's 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 Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting its liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

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VI. 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 consolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			2.334.272	977.670
CASH OUTFLOWS				
2 Retail and Customers Deposits	40	7	13	3
3 Stable deposits	-	-	-	-
4 Less stable deposits	40	7	13	3
5 Unsecured Funding other than Retail and Small Business Customers Deposits	1.782.191	764.625	1.437.070	550.440
6 Operational deposits	39.136	35.159	9.784	8.790
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.743.055	729.466	1.427.286	541.650
9 Secured funding	-	-	-	-
10 Other Cash Outflows	1.400.848	809.493	1.400.848	809.493
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.400.848	809.493	1.400.848	809.493
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	6.963.447	5.415.996	348.172	270.800
15 Other irrevocable or conditionally revocable commitments	8.860.567	5.967.301	1.682.121	829.224
16 TOTAL CASH OUTFLOWS			4.868.224	2.459.960
CASH INFLOWS				
17 Secured Lending Transactions	436	-	-	-
18 Unsecured Lending Transactions	2.619.706	836.510	2.103.804	650.284
19 Other contractual cash inflows	1.375.296	1.294.475	1.375.296	1.294.475
20 TOTAL CASH INFLOWS	3.995.438	2.130.985	3.479.100	1.944.759
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			2.334.272	977.670
22 TOTAL NET CASH OUTFLOWS			1.389.124	614.990
23 Liquidity Coverage Ratio (%)			168	159

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VI. 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	-	-	-	-
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
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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VI. Consolidated liquidity risk management and coverage ratio (continued)

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

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. During the implementation process, the minimum limits increase gradually until 2019, and for total and foreign currency limits 100% and 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liquid assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

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%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 27%. 6% of the Parent Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

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

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	427.000	420.135	-	-	-	-	-	847.135
Banks	19.489	279.626	194.572	-	-	-	-	493.687
Financial Assets at Fair Value Through Profit and Loss	1.020	6.965	45.179	50.843	163.529	68.557	-	336.093
Money Market Placements	-	3	-	-	-	-	-	3
Financial Assets Available-for-Sale	-	-	87.338	405.362	1.769.969	755.623	73.080	3.091.372
Loans	-	970.966	1.307.271	4.763.252	10.358.822	4.936.919	-	22.337.230
Held-to-Maturity Investments	-	-	-	-	859.079	672.968	-	1.532.047
Other Assets	569.537	1.851	-	3.861	46.593	11.105	647.122	1.280.069
Total Assets	1.017.046	1.679.546	1.634.360	5.223.318	13.197.992	6.445.172	720.202	29.917.636
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	261.633	341.301	3.027.738	7.696.854	7.674.101	-	19.001.627
Money Market Borrowings	-	-	87	34.122	-	-	-	1.311.922
Marketable Securities Issued (2)	-	-	-	-	3.746.229	1.146.236	-	4.892.465
Miscellaneous Payables	-	-	-	-	-	-	75.095	75.095
Other Liabilities (3)	-	37.015	43.662	46.889	150.696	45.724	4.312.541	4.636.527
Total Liabilities	-	1.576.361	385.050	3.108.749	11.593.779	8.866.061	4.387.636	29.917.636
Liquidity Gap	1.017.045	103.185	1.249.310	2.114.569	1.604.213	(2.420.889)	(3.667.434)	-
Net Off-balance sheet Position	-	(19.773)	527	316	81.569	4.692	-	67.331
Financial Derivative Assets	-	1.397.780	2.836.475	2.775.523	8.614.737	4.586.490	-	20.211.005
Financial Derivative Liabilities	-	1.417.553	2.835.948	2.775.207	8.533.168	4.581.798	-	20.143.674
Non-cash Loans (4)	-	46.294	268.206	843.606	621.648	771.147	22.810	2.573.711
Prior Period								
Total Assets	388.855	1.823.493	1.399.104	3.620.305	9.889.301	6.534.525	1.219.903	24.875.486
Total Liabilities	-	1.505.615	310.523	2.272.667	10.179.329	6.979.875	3.627.477	24.875.486
Liquidity Gap	388.855	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 (4)	-	21.227	5.182	33.578	551.991	508.482	548.748	1.669.208

(1) 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, deferred tax asset, other miscellaneous receivables, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

(2) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

(3) Borrower funds amounting to TL 12.901 are presented in "Other Liabilities" within 1-month maturity column.

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

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

Analysis of financial liabilities by remaining contractual maturities

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	218.189	384.059	3.267.276	8.525.381	8.343.922	(1.737.200)	19.001.627
Money Market Borrowings	1.278.961	88	34.143	-	-	(1.270)	1.311.922
Marketable Securities Issued	-	42.919	235.703	4.404.866	1.514.306	(1.305.329)	4.892.465
Funds	12.901	-	-	-	-	-	12.901
Total	1.510.051	427.066	3.537.122	12.930.247	9.858.228	(3.043.799)	25.218.915

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	247.785	295.038	2.302.132	7.230.253	7.485.111	(1.432.823)	16.127.496
Money Market Borrowings	1.251.259	5.095	-	-	-	(120)	1.256.234
Funds	-	-	179.300	1.580.100	2.376.364	(649.032)	3.486.732
Total	5.317	-	-	-	-	-	5.317
Prior Period	1.504.361	300.133	2.481.432	8.810.353	9.861.475	(2.081.975)	20.875.779

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	1.916.591	1.013.302	1.765.510	16.989.336	9.188.531	(69.498)	30.803.772
Forward Contracts	434.377	2.454.434	1.737.976	199.318	-	-	4.826.105
Futures Transactions	-	-	-	-	-	-	-
Options	391.076	2.209.193	2.051.703	-	-	-	4.651.972
Other	72.830	-	-	-	-	-	72.830
Total	2.814.874	5.676.929	5.555.189	17.188.654	9.188.531	(69.498)	40.354.679

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	2.500.269	981.036	893.670	13.477.201	8.225.891	(82.833)	25.995.234
Forward Contracts	212.286	534.798	322.387	61.644	-	-	1.131.115
Futures Transactions	-	-	-	-	-	-	-
Options	527.407	1.653.321	4.629.408	121.800	-	-	6.931.936
Other	117.544	-	-	-	-	-	117.544
Total	3.357.506	3.169.155	5.845.465	13.660.645	8.225.891	(82.833)	34.175.829

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VII. Explanations related to consolidated leverage ratio

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

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

As of 31 December 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,83% (31 December 2016: 10,51%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 21,89% compare to 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 Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS (**)	26.728.069	22.546.046
2	The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks (**)	(13.814)	(3.224)
3	The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	(312.337)	(157.005)
4	The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	1.829.247	2.297.925
5	The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	(3.581.505)	(3.174.771)
6	The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	-	-
7	Total Exposures (*)	36.730.076	29.431.796

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

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

c) Consolidated Leverage Ratio

		Current Period(*)	Prior Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	30.429.254	24.963.768
2	(Assets deducted from Core capital)	(134.589)	(122.235)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	30.294.665	24.841.533
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	374.558	309.871
5	Potential credit risk amount of derivative financial assets and credit derivatives	264.567	221.170
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	639.125	531.041
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	507.764	346.184
8	Risk amount arising from intermediary transactions	77.417	38.688
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	585.181	384.872
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	8.792.610	6.849.121
11	(Correction amount due to multiplication with credit conversion rates)	(3.581.505)	(3.174.771)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	5.211.105	3.674.350
	Capital and total risk		
13	Core Capital	3.610.277	3.093.277
14	Total risk amount (sum of lines 3, 6, 9 and 12)	36.730.076	29.431.796
	Leverage ratio		
15	Leverage ratio	9,83%	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 related to presentation of financial assets and liabilities at fair value

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	27.517.749	22.536.861	27.669.243	23.426.905
Money Market Placements	3	254.934	3	254.934
Banks	493.687	497.949	493.687	497.949
Available-For-Sale Financial Assets	3.091.372	3.068.412	3.091.372	3.068.412
Held-To-Maturity Investments	1.532.047	1.375.729	1.528.305	1.363.859
Loans (1)	22.400.640	17.339.837	22.555.876	18.241.751
Financial Liabilities	25.294.010	21.069.391	25.310.808	20.996.688
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions (3)	20.326.450	17.389.047	20.326.450	17.389.047
Marketable Securities Issued (2)	4.892.465	3.486.732	4.909.263	3.414.029
Miscellaneous Payables	75.095	96.871	75.095	96.871

(1) Loans include financial lease receivables.

(2) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

(3) Funds provided from other financial institutions include funds borrowed, borrower funds and money market borrowings.

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

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

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets Held for Trading	-	326.788	-
Financial Assets Available For Sale	2.902.126	51.301	154.715
Derivative Financial Assets For Hedging Purposes	-	-	-
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	232.403	-
Derivative Financial Liabilities For Hedging Purposes	-	78.682	-

Real estates which are presented in the financial statements at fair value are classified at level 2; investment properties of companies included in consolidation are classified at level 2 and level 3.

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets Held for Trading	13.001	374.036	-
Financial Assets Available For Sale	2.894.863	18.583	172.233
Derivative Financial Assets For Hedging Purposes	-	272	-
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	320.797	-
Derivative Financial Liabilities For Hedging Purposes	-	51.433	-

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management

Linkages between financial statements and risk amounts

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

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

Disclosures on the Risk management approach and risk-weighted amount

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

Risk management process is structured within the scope of related policies and practice principals that creates a risk culture throughout the company and has a framework which is coherent with international regulations in the manner of evaluation, analyzing, monitoring, and reporting operations. Risk Management Department has been organized within the Bank so as to ensure compliance with the relevant policies, codes of practice and processes and to manage, in parallel with these policies, the risks the Bank is exposed to. Risk Management Department, the duties and responsibilities of which are designated through the regulations approved by the Board of Directors, carries out its activities through the Executive Vice President for Internal Systems under the Audit Committee who serves independently from executive activities and executive units.

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	26.511.342	19.834.989	2.120.907
2	Standardised approach	26.511.342	19.834.989	2.120.907
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	805.591	695.368	64.447
5	Standardised approach for counterparty credit risk	805.591	695.368	64.447
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	433.000	863.475	34.640
17	Standardised approach	433.000	863.475	34.640
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	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	29.002.503	22.507.376	2.320.200

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation

Current Period Assets	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (2)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	830.336	847.135	847.135	-	-	-	-
Financial Assets Held for Trading	-	-	-	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	11.543	336.093	-	326.788	-	142.292	-
Bank	699.909	493.687	493.687	-	-	-	-
Money Market Placements	449	3	-	3	-	-	-
Financial Assets Available-for-Sale (net)	2.664.992	3.091.372	3.091.372	1.091.425	-	-	-
Loans and Receivables	19.674.396	22.337.230	22.337.230	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Held-to-Maturity (net)	1.425.586	1.532.047	1.532.047	552.078	-	-	-
Investment in Associates (net)	346.804	375.481	349.360	-	-	-	26.121
Investment in Subsidiaries (net)	-	1.609	1.609	-	-	-	-
Joint-Ventures (net)	-	1.760	1.760	-	-	-	-
Finance Lease Receivables	-	63.410	63.410	-	-	-	-
Derivative Financial Assets Held for Risk Management	350.300	-	-	-	-	-	-
Tangible Assets (net)	229.314	245.798	240.765	-	-	-	5.033
Intangible Assets (net)	2.460	3.585	-	-	-	-	3.585
Investment Properties	231.796	243.145	243.145	-	-	-	-
Tax Assets	4.433	45.338	45.338	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Other Assets	255.751	299.943	269.958	-	-	-	29.985
Total Assets	26.728.069	29.917.636	29.516.816	1.970.294	-	142.292	64.724

(1) 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 as at 30 June 2017 are used.

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Current Period Liabilities	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (2)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	298.870	232.403	-	-	-	118.724	113.679
Funds Borrowed	16.619.472	19.001.627	-	693.378	-	-	18.308.249
Money Market Funds	1.240.846	1.311.922	-	611.178	-	-	700.744
Securities Issued	3.510.152	3.746.229	-	-	-	-	3.746.229
Funds	-	12.901	-	-	-	-	12.901
Miscellaneous Payables	-	75.095	-	-	-	-	75.095
Other Liabilities	-	115.927	-	-	-	-	115.927
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	-	78.682	-	-	-	-	78.682
Provisions	304.995	431.625	-	-	-	-	431.625
Tax Liability	-	53.648	-	-	-	-	53.648
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Debts	1.086.704	1.146.236	-	-	-	-	1.146.236
Shareholders' Equity	3.667.030	3.711.341	-	-	-	-	3.711.341
Total Liabilities	26.728.069	29.917.636	-	1.304.556	-	118.724	28.494.356

(1) 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 as at 30 June 2017 are used.

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Prior Period Assets	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (2)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	798.312	778.076	778.076	-	-	-	-
Financial Assets Held for Trading	-	-	-	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	32.561	387.037	-	374.032	-	387.037	-
Bank	682.510	497.949	497.949	-	-	-	-
Money Market Placements	1.353.572	254.934	254.033	901	-	901	-
Financial Assets Available-for-Sale (net)	3.241.665	3.068.412	3.068.412	895.472	-	-	-
Loans and Receivables	14.329.504	17.336.045	17.336.045	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Held-to-Maturity (net)	894.837	1.375.729	1.375.729	129.784	-	-	-
Investment in Associates (net)	304.152	324.477	292.215	-	-	-	32.262
Investment in Subsidiaries (net)	-	1.609	1.609	-	-	-	-
Joint-Ventures (net)	-	1.760	1.760	-	-	-	-
Finance Lease Receivables	-	3.792	3.792	-	-	-	-
Derivative Financial Assets Held for Risk Management	242.948	272	-	272	-	-	-
Tangible Assets (net)	205.790	231.328	226.073	-	-	-	5.255
Intangible Assets (net)	2.426	3.098	-	-	-	-	3.098
Investment Properties	242.340	231.323	231.323	-	-	-	-
Tax Assets	18.230	21.214	21.214	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Other Assets	197.199	358.431	335.612	-	-	-	22.819
Total Assets	22.546.046	24.875.486	24.423.842	1.400.461	-	387.938	63.434

(1) 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 as at 30 June 2017 are used.

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

Differences and linkage between scopes of accounting consolidation and regulated consolidation (continued)

Current Period Liabilities	Carrying values in financial statements prepared as per TAS (1)	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (2)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	201.794	320.797	-	-	-	320.797	-
Funds Borrowed	13.402.532	16.127.496	-	532.231	-	-	15.595.265
Money Market Funds	2.395.936	1.256.234	-	295.354	-	5.916	954.964
Securities Issued	2.943.421	3.486.732	-	-	-	-	3.486.732
Funds	-	5.317	-	-	-	-	5.317
Miscellaneous Payables	-	193.612	-	-	-	-	193.612
Other Liabilities	-	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	-	51.433	-	-	-	-	51.433
Provisions	223.007	279.033	-	-	-	-	279.033
Tax Liability	-	11.779	-	-	-	-	11.779
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Debts	145.078	-	-	-	-	-	-
Shareholders' Equity	3.234.278	3.143.053	-	-	-	-	3.143.053
Total Liabilities	22.546.046	24.875.486	-	827.585	-	326.713	23.721.188

(1) 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 as at 30 June 2017 are used.

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

	Current Period	Total	Credit Risk (*)	Securitization Positions	Counterparty credit risk (*)	Market risk (**)
1	Asset carrying value amount under scope of regulatory consolidation	29.917.636	29.516.816	-	1.970.294	142.292
2	Liabilities carrying value amount under regulatory scope of consolidation	29.917.636	-	-	1.304.556	118.724
	Total net amount	-	29.516.816	-	665.738	23.568
3	Off-balance sheet amounts	49.139.855	2.910.324	-	263.746	-
4	Differences due to prudential filters	-	(106.217)	-	114.826	-
	Risk Amounts	-	32.320.923	-	1.044.310	23.568

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

(**) The valuation amounts of financial instruments included in trading accounts in accordance with TAS are included

	Current Period	Total	Credit Risk (*)	Securitization Positions	Counterparty credit risk (*)	Market risk (**)
1	Asset carrying value amount under scope of regulatory consolidation	24.875.486	24.423.842	-	1.400.461	387.938
2	Liabilities carrying value amount under regulatory scope of consolidation	24.875.486	-	-	827.585	326.713
	Total net amount	-	24.423.842	-	572.876	61.225
3	Off-balance sheet amounts	44.437.712	2.182.356	-	240.982	26.428.029
4	Differences due to prudential filters	-	69.467	-	(37.622)	-
	Risk Amounts	-	26.536.731	-	776.236	26.489.254

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

There is no major differences between the financial and regulatory scope of consolidation.

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

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on credit risk

General qualitative information on credit risk

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

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

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

Credit quality of assets

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted(a)	Non-defaulted (b)	(c)	(d)
Current Period				
1 Loans	53.575	25.020.052	53.575	25.020.052
2 Debt Securities	-	4.598.435	48.096	4.550.339
3 Off-balance sheet exposures	1.166	8.784.593	583	8.785.176
4 Total	54.741	38.403.080	102.254	38.355.567

	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values (a+b+c)
	Defaulted(a)	Non-defaulted (b)	(c)	(d)
Prior Period				
1 Loans	51.615	20.026.364	51.615	20.026.364
2 Debt Securities	-	4.472.356	74.878	4.397.478
3 Off-balance sheet exposures	1.166	10.261.300	583	10.261.883
4 Total	52.781	34.760.020	127.076	34.685.725

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)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Changes in stock of default loans and debt securities

	Current Period	Balance
1	Defaulted loans and debt securities at end of the previous reporting	52.781
2	Loans and debt securities that have defaulted since the last reporting period	6.436
3	Receivables back to non-defaulted status	(4.476)
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	54.741

	Prior Period	Balance
1	Defaulted loans and debt securities at end of the previous reporting	62.183
2	Loans and debt securities that have defaulted since the last reporting period	3.566
3	Receivables back to non-defaulted status	(12.953)
4	Amounts written off	(15)
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	52.781

Additional disclosure related to the credit quality of assets

In accordance with Communiqué on Reserves;

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

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

In both types of receivables, the collection of receivables is delayed and the general loan loss provision is allocated for receivables with overdue receivables up to 90 days and the specific provision is allocated for overdue receivables over 90 days.

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Additional disclosure related to the credit quality of assets (continued)

Provisional liquidity risk is accounted for as a manageable cash inflow arising from the fact that a borrower with credit risk that is able to fulfill its obligations in a timely and complete manner is subject to funding and outflows from normal operations resulting from fluctuations in sales revenue or operating income due to an unexpected and temporary cause it is taken.

The restructured loans are classified as such and continue to be followed in the groups they follow. During this period, the group to which they are entitled will continue to be charged for the specific or general loan loss provision rates applied.

Breakdown of receivables according to major regions, sectors and remaining maturities

Breakdown of receivables by major regions, sectors and remaining maturities is included in footnotes under Section Four, Note II, "Explanations Related to Consolidated Credit Risk."

Impaired loans on the basis of major regions and sectors and amounts written off corresponding provisions

On the basis of major regions impaired loans of the bank consist of domestic receivables. On sectoral basis, the amount of the Bank's impaired loans and related provisions is presented in footnote II. "Information of major sectors or type of counterparties" under Section Four explanations consolidated credit risk explanations. The Bank allocates 100% Provision for these receivables. As of 31 December 2017 there are no amounts written off. (31 December 2016:None)

The aging analysis of the receivables past due

The aging analysis of the receivables past due is presented in footnote under Section Four II. "Explanations related to consolidated credit risk".

Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

In valuations made within the scope of credit risk mitigation techniques, the methods used in relation to the valuation and management of collateral are carried out in parallel with the Communiqué on Credit Risk Reduction Techniques. Offsetting is not used as credit risk reduction technique.

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

Major collaterals that can be used by the Bank within the scope of credit risk mitigation techniques are financial collaterals, guarantees and mortgages. In the report dated 31 December 2017, financial collaterals, guarantees and mortgages were used as the credit risk reduction technique in the calculation of credit risk exposure.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk mitigation techniques - Standard approach

Current Period		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	23.517.193	1.277.376	1.090.419	225.483	183.675	-	-
2	Debt securities	4.550.339	-	-	-	-	-	-
3	Total	28.067.532	1.277.376	1.090.419	225.483	183.675	-	-
4	Of which default	53.575	-	-	-	-	-	-

Prior Period		Exposures unsecured: value in accordance with TAS.	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	18.678.486	1.347.878	1.159.048	-	-	-	-
2	Debt securities	4.397.478	-	-	-	-	-	-
3	Total	23.075.964	1.347.878	1.159.048	-	-	-	-
4	Of which default	51.615	-	-	-	-	-	-

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach

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

The related disclosures are presented footnote II "Explanations related to consolidated credit risk" in Section Four.

Credit risk exposure and credit risk mitigation effects

	Current Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
	Risk Groups						
1	Exposures to sovereigns and their central banks	5.260.996	219.689	5.444.671	43.938	1.244.307	23%
2	Exposures to regional and local governments	-	3.000	-	600	300	50%
3	Exposures to administrative bodies and noncommercial entities	1.297	229	1.297	45	1.342	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	1.440.091	1.786.100	1.440.091	395.354	1.043.706	57%
7	Exposures to corporates	20.741.899	13.566.487	20.558.224	2.386.058	22.665.476	99%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	984.202	7.197	984.202	3.599	493.900	50%
11	Past due receivables	53.575	-	-	-	-	-
12	Exposures in higher-risk categories	-	1.167	-	292	146	50%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	688.721	520.073	582.506	80.437	662.556	100%
17	Equity investments	399.609	-	399.609	-	399.609	100%
18	Total	29.570.390	16.103.942	29.410.600	2.910.323	26.511.342	82%

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach (continued)

Credit risk exposure and credit risk mitigation effects (continued)

	Prior Period	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		Risk weighted amount and risk weighted amount density	
		On-Balance sheet amount	Off-balance sheet amount	On-Balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
1	Exposures to sovereigns and their central banks	5.166.716	199.666	5.166.716	39.932	996.206	19%
2	Exposures to regional and local governments	3.000	-	600	-	600	100%
3	Exposures to administrative bodies and noncommercial entities	1.526	8.743	1.342	1.749	3.091	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	2.554.154	510.849	1.821.806	212.263	870.289	43%
7	Exposures to corporates	15.621.192	8.451.072	15.610.450	1.631.199	16.478.909	96%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.089.582	62.554	1.089.582	39.920	564.751	50%
11	Past due receivables	51.615	-	-	-	-	-
12	Exposures in higher-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	593.151	81.908	523.683	70.874	594.528	100%
17	Equity investments	326.615	-	326.615	-	326.615	100%
18	Total	25.407.551	9.314.792	24.540.794	1.995.937	19.834.989	75%

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standardised approach (continued)

Exposures by asset classes and risk weights

	Current Period				50% Secured by Real Estate Property							Total Risk Amount (after CCR and CVA)
	Risk Groups/ Risk Weight	0%	10%	20%		75%	100%	150%	200%	Others		
1	Exposures to sovereigns and their central banks	4.244.302	-	-	-	-	1.244.307	-	-	-	-	5.488.609
2	Exposures to regional and local governments	-	-	-	600	-	-	-	-	-	-	600
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.342	-	-	-	-	1.342
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	890.953	157.953	-	786.539	-	-	-	-	1.835.445
7	Exposures to corporates	-	-	137.556	337.522	-	22.469.203	-	-	-	-	22.944.281
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	987.801	-	-	-	-	-	-	987.801
10	Past due receivables	-	-	-	-	-	-	-	-	-	-	-
11	Exposures in higher-risk categories	-	-	-	292	-	-	-	-	-	-	292
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	399.609	-	-	-	-	399.609
16	Other exposures	387	-	-	-	-	662.557	-	-	-	-	662.944
17	Total	4.244.689	-	1.028.509	1.484.168	-	25.563.557	-	-	-	-	32.320.923

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standardised approach (continued)

Exposures by asset classes and risk weights

	Prior Period				50% Secured by Real Estate Property						Total Risk Amount (after CCR and CVA)
	Risk Groups/ Risk Weight	0%	10%	20%		75%	100%	150%	200%	Others	
1	Exposures to sovereigns and their central banks	3.214.235	-	-	1.992.413	-	-	-	-	-	5.206.648
2	Exposures to regional and local governments	-	-	-	-	-	600	-	-	-	600
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	3.091	-	-	-	3.091
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	84	514.253	1.504.605	-	15.127	-	-	-	2.034.069
7	Exposures to corporates	-	-	-	1.525.480	-	15.716.169	-	-	-	17.241.649
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by property	-	-	-	1.129.502	-	-	-	-	-	1.129.502
10	Past due receivables	-	-	-	-	-	-	-	-	-	-
11	Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
13	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
14	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity investments	-	-	-	-	-	326.615	-	-	-	326.615
16	Other exposures	29	-	-	-	-	594.528	-	-	-	594.557
17	Total	3.214.264	84	514.253	6.152.000	-	16.656.130	-	-	-	26.536.731

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR)

Qualitative disclosures on CCR (continued)

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

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

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

Analysis of counterparty credit risk (CCR) exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	326.787	263.746	-	-	590.533	339.111
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	453.778	264.414
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	603.525

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Analysis of counterparty credit risk (CCR) exposure by approach (continued)

	Prior Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
1	Standardised Approach (for derivatives)	374.304	240.982	-	-	545.633	357.494
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	230.604	133.203
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	490.697

Credit valuation adjustment (CVA) for capital charge

	Current Period	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	590.533	202.064
4	Total subject to the CVA capital charge	590.533	202.064

	Prior Period	Exposure at default post-credit risk mitigation techniques	Risk weighted amount
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	545.632	204.672
4	Total subject to the CVA capital charge	545.632	204.672

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on counterparty credit risk (CCR)

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

Current Period Risk Weight									
Risk Groups	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Exposures to sovereigns and their central banks	-	-	-	-	-	300	-	-	300
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.626	-	-	1.626
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	173.741	601.314	-	98	-	-	775.153
Exposures to corporates	-	-	-	2.269	-	262.701	-	-	264.970
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	2.261	-	-	2.261
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	173.741	603.583	-	266.986	-	-	1.044.310

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

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INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Explanations on counterparty credit risk (CCR) (continued)

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

Prior Period Risk Weight									
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Exposures to sovereigns and their central banks	1.450	-	-	-	-	-	-	-	1.450
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	521	-	-	521
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	43.451	482.160	-	-	-	-	525.611
Exposures to corporates	-	-	-	16.498	-	230.316	-	-	246.814
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	1.841	-	-	1.841
Other assets	-	-	-	-	-	-	-	-	-
Total	1.450	-	43.451	498.658	-	232.678	-	-	776.237

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

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Collaterals used for CCR

Current Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	641.015	-
Cash – foreign currency	-	-	-	-	663.544	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.304.559	-

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

Credit derivatives

None.

Exposure to central counterparties (CCP)

None.

Explanations on securitizations

None.

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to consolidated risk management (continued)

Disclosures on market risk

Qualitative information to be disclosed to public concerning market risk

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

Interest rate, exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSA Standard Method and Risk Value of Return (VaR) approach. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

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

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
	Outright products	-	-
1	Interest rate risk (general and specific)	149.650	614.262
2	Equity risk (general and specific)	50	1.950
3	Foreign exchange risk	283.300	247.263
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	433.000	863.475

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SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
(Continued)

X. Explanations related to consolidated risk management (continued)

Disclosure on operational risk

Information to be disclosed to the public regarding operational risk

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

	31/12/2014	31/12/2015	31/12/2016	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	617.694	654.288	732.130	668.037	15	100.206
Capital Requirement for Operational Risk (Total*12,5)						1.252.570

Disclosures on interest rate risk resulting from banking book

It is monthly calculated and reported within the scope of the Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts Duration.

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

Current Period	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss / Shareholders' Equity
Currency			
TL	+500 / (400) basis point	(91.944) / 83.505	(1,91%) / 1,74%
Euro	+200 / (200) basis point	56.563 / (18.688)	1,18% / (0,39)%
US Dollar	+200 / (200) basis point	(70.306) / 79.127	(1,46%) / 1,65%
Total (for Negative Shocks)		143.944	3,00%
Total (for Positive Shocks)		(105.687)	2,20%

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

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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	24	-	29	-
Balances with the Central Bank of Turkey	10.571	836.540	161.276	616.771
Other	-	-	-	-
Total	10.595	836.540	161.305	616.771

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	10.571	4.862	161.276	3.995
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	831.678	-	612.776
Total	10.571	836.540	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 begun to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015.

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 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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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 has no trading securities given as collateral or blockage. (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	14.734	7.175	13.290	8.819
Swap Transactions	179.366	82.997	113.508	112.792
Futures Transactions	-	-	-	-
Options	-	42.516	-	125.627
Other	-	-	-	-
Total	194.100	132.688	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 December 2017, the fair value of such swaps is TL 134.631 income with a total outstanding notional amount of USD 200 million. The average maturity of such swaps range between 2020 and 2021 years.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Information on banks and foreign bank accounts

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	464.978	24.573	60.098	376.443
Foreign	-	4.136	15.010	46.398
Branches and head office abroad	-	-	-	-
Total	464.978	28.709	75.108	422.841

3.b Information on banks and foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	887	8.486	-	-
USA and Canada	2.140	1.948	-	-
OECD Countries (*)	1.109	1.041	-	-
Off-shore banking regions	-	-	-	-
Other	-	49.933	-	-
Total	4.136	61.408	-	-

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

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	15.944	-	111.173	-
Treasury bills	-	-	-	-
Other government debt securities	-	155.306	-	101.682
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	15.944	155.306	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 1.389.292 (31 December 2016: TL 1.252.789).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	603.852	785.440	497.581	755.208
Other	-	-	-	-
Total	603.852	785.440	497.581	755.208

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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.b Major types of available for sale financial assets:

Available for sale financial assets comprised of government bonds 58,93%, Eurobonds 32,67% and shares and other securities 8,40% (31 December 2016: government bonds 59,38%, Eurobonds 31,52% and shares and other securities 9,1%).

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

	Current Period	Prior Period
Debt securities	3.066.387	3.096.626
Quoted on a stock exchange	2.039.864	2.040.539
Unquoted	1.026.523	1.056.087
Share certificates	81.194	53.695
Quoted on a stock exchange	13.907	11.834
Unquoted	67.287	41.861
Impairment provision(-)	(56.209)	(81.909)
Total	3.091.372	3.068.412

The net book value of unquoted available for sale share certificates of the Group is TL 62.401 (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	44.909	-	21.131	-
Corporate shareholders	44.909	-	21.131	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	173	-	217	-
Total	45.082	-	21.348	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period (1)	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (2)		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Non-specialized loans	21.757.352	48.415	-	473.661	143.423	-
Working Capital loans	2.930.594	-	-	1.212	1.212	-
Export loans	248.568	-	-	48.440	48.440	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.795.036	-	-	-	-	-
Consumer loans	173	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	15.782.981	48.415	-	424.009	93.771	-
Specialized loans	-	-	-	-	-	-
Other receivables	106.217	-	-	-	-	-
Total	21.863.569	48.415	-	473.661	143.423	-

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.523.571 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

(2) The syndicated loans granted to a company amounting to USD 78.661.835 are classified under Close Monitoring Loans and Other receivables as of 31 December 2017. Discussions between creditor banks and related sovereign institutions about restructuring of loan of this company are proceeding.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Prior Period (1)	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	17.071.467	49.896	-	195.112	142.768	2.330
Working Capital loans	1.433.893	-	-	3.349	3.349	-
Export loans	157.895	-	-	44.994	44.994	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.211.495	-	-	-	-	-
Consumer loans	217	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	13.267.967	49.896	-	146.769	94.425	2.330
Specialized loans	-	-	-	-	-	-
Other receivables	69.466	-	-	-	-	-
Total	17.140.933	49.896	-	195.112	142.768	2.330

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.035.717 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period		
Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	48.415	142.211
Extended for 3-4 or 5 times	-	1.212
Extended for more than 5 times	-	-

Prior Period		
Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
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		
The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	27.946
2-5 Years	48.415	96.688
5 Years and Over	-	18.789

Prior Period		
The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
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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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	1.453.350	-	-	-
Non-specialized loans	1.347.133	-	-	-
Specialized loans	-	-	-	-
Other receivables	106.217	-	-	-
Medium and Long-term loans	20.410.219	48.415	473.661	143.423
Non-specialized loans	20.410.219	48.415	473.661	143.423
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	-	-	-
Non-specialized loans	593.265	-	-	-
Specialized loans	-	-	-	-
Other receivables	69.466	-	-	-
Medium and Long-term loans	16.478.202	49.896	195.112	145.098
Non-specialized loans	16.478.202	49.896	195.112	145.098
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	5	168	173
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	5	168	173
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle 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	5	168	173

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

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	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate 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
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	18	199	217
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	18	199	217

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON 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	878.502	125.356
Private	21.458.728	17.210.689
Total	22.337.230	17.336.045

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	22.229.418	17.263.913
Foreign Loans	107.812	72.132
Total	22.337.230	17.336.045

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	257.470	294.292
Indirect loans granted to subsidiaries and associates	-	-
Total	257.470	294.292

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	985	3.092
Loans and receivables with doubtful collectability	4.894	-
Uncollectible loans and receivables	47.696	48.523
Total	53.575	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)	-	-	7.266
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	7.266
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	1.540
Transfers from Other Categories of Non-performing Loans (+)	-	6.621	1.728
Transfers to Other Categories of Non-performing Loans (-)	(6.621)	(1.728)	-
Collections (-)	(381)	-	(4.095)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	985	4.894	47.696
Specific Provisions (-)	(985)	(4.894)	(47.696)
Net Balance on Balance Sheet	-	-	-

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanations on loans (continued)

5.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	982	-	-
Specific Provision (-)	(982)	-	-
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	1.362	-	-
Specific Provision (-)	(1.362)	-	-
Net Balance on Balance Sheet	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON 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)	985	4.894	45.605
Specific Provision Amount (-)	(985)	(4.894)	(45.605)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	2.091
Specific Provision Amount (-)	-	-	(2.091)
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:

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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	145.439	45.742	-	186.736
Subject to Repurchase Agreements	455.539	96.539	129.784	-
Total	600.978	142.281	129.784	186.736

6.2 Information on government debt investments held-to-maturity :

	Current Period	Prior Period
Government Bonds	1.532.047	1.375.729
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	1.532.047	1.375.729

6.3 Information on held-to-maturity investments :

	Current Period	Prior Period
Debt Securities		
Quoted on a Stock Exchange	1.334.722	1.188.990
Not Quoted	199.228	186.739
Impairment provision (-)	(1.903)	-
Total	1.532.047	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	13.914	31.581
Purchases During The Period (*)	-	417.241
Disposals Through Sales And Redemptions	(836)	(1.597)
Impairment Provision	(1.903)	-
Interest Income Accruals	145.143	55.902
Balance at End of Period	1.532.047	1.375.729

(*) The Consumer Price Indexed (CPI) government bonds with the nominal value of TL 339.321 are reclassified to Held to Maturity Investments in prior period.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on investments in associates (net):

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

Unconsolidated non-financial associates are valued at cost.

7.a.2 Information on unconsolidated associates:

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

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

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (*)	16.292	3.030	197	-	-	(166)	21	-
2	Ege Tarım	11.229	9.972	8.527	97	-	(534)	(600)	-

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

Information on associates disposed in the current period

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

Information on associates purchased in the current period

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

7.a.3 Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,38
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	68,94

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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	4.267.774	188.753	1.355	309.226	-	49.530	32.939	-
2	İş Finansal	5.068.687	839.681	2.238	366.137	-	74.200	81.800	273.946
3	İş Girişim	259.379	256.923	45	7.576	3.368	946	1.060	21.612

	Current Period	Prior Period
Balance at the Beginning of the Period	322.922	291.988
Movements During the Period	51.503	30.934
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	43.861	38.805
Sales	-	-
Revaluation Increase	7.642	-
Provision for Impairment	-	(7.871)
Balance at the End of the Period	374.425	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 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	83.226	56.801
Leasing Companies	247.371	222.466
Financial Service Companies	-	-
Other Financial Associates	43.828	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	291.199	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	64.275	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	9.759	4
Current and Prior Years' Profit / Loss	8.239	17.094
Leasehold Improvements (-)	(408)	-
Intangible Assets (-)	(915)	(25)
Total Core Capital	83.464	176.453
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	83.464	176.453

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

	YF (*)	TSKB GYO (*)
	Prior Period	Prior Period
CORE CAPITAL		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	(891)	(29)
Current and Prior Years' Profit / Loss	(181)	38.818
Leasehold Improvements (-)	(731)	-
Intangible Assets (-)	(1.131)	(13)
Total Core Capital	63.855	198.156
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	63.855	198.156

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

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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)	İstanbul /Türkiye	99,99	99,99
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	İstanbul/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 (*)	20.325	15.585	1.187	1.269	-	2.717	3.272	-
2	SD A.Ş. (*)	1.012	754	13	125	-	(560)	(293)	-

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

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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

8.a.4 Information related to consolidated subsidiaries:

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

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (*)	1.281.667	84.787	1.366	47.355	1.088	8.401	(3.973)	-
TSKB GYO (*)	468.324	176.478	374	276	-	(21.724)	(26.140)	64.871

(*) 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	6.992	5.664
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	6.992	5.664
Provision for Impairment	-	-
Balance At the End of the Period	134.976	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.

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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	134.976	127.984

8.a.6 Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	79.351	57.879
Quoted in Foreign Stock Exchange	-	-

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

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	11.406	(9.267)	10.183	-	-	(2.244)	(2.420)	-
Anavarza Hotelier Corporation	3.411	(317)	114	32	-	321	(548)	-

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	8.627	7.439	1.552	1.367
Between 1- 4 years	40.269	34.632	1.704	1.455
More than 4 years	25.061	21.339	1.137	970
Total	73.957	63.410	4.393	3.792

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

	Current Period	Prior Period
Gross investments in finance leases	73.957	4.393
Unearned revenue from finance leases (-)	(10.547)	(601)
Cancelled finance leases (-)	-	-
Net investments in finance leases	63.410	3.792

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

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

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

Finance lease agreements are made in accordance with the related articles of 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	-	-	-	272
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	-	-	272

As of 31 December 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	10.582.050	-	(78.682)	7.747.800	272	(51.433)
FC	10.582.050	-	(78.682)	7.747.800	272	(51.433)
TL	-	-	-	-	-	-

11.a.1 Information on fair value hedge accounting

Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	Fair Value of Hedging Instrument (*)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	60.540	-	(71.434)	(10.894)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	8.988	-	(10.600)	(1.612)

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

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

Prior 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 Green bond Issued	Interest Rate Risk	44.374	-	(49.238)	(4.864)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	3.880	-	(4.378)	(498)

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

12. Information on tangible assets (net)

As of the third quarter of the 2015, the Bank changed its accounting policy and adopted revaluation method for real estates under scope of TAS 16. In 2016 revaluation difference TL 16.315 (31 December 2016: TL 26.705) which are determined by the certified valuation companies, authorized by CMB and BRSA, are recorded under the shareholders' equity.

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other (1)	Current Period End
Cost						
Land and buildings	225.925	-	-	16.315	-	242.240
Assets held under finance leases	5.242	-	(21)	-	-	5.221
Vehicles	1.475	-	(418)	-	-	1.057
Assets held for resale	576	-	-	-	(576)	-
Other	25.479	3.750	(241)	-	-	28.988
Total Cost	258.697	3.750	(680)	16.315	(576)	277.506
Accumulated depreciation						
Land and buildings	515	(793)	-	-	-	(278)
Assets held under finance leases	(4.999)	(115)	21	-	-	(5.093)
Vehicles	(825)	(234)	356	-	-	(703)
Assets held for resale	-	-	-	-	-	-
Other	(21.853)	(4.000)	219	-	-	(25.634)
Total accumulated depreciation	(27.162)	(5.142)	596	-	-	(31.708)
Impairment provision						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	(207)	(18)	-	-	225	-
Other	-	-	-	-	-	-
Total impairment provision	(207)	(18)	-	-	225	-
Net book value	231.328	(1.410)	(84)	16.315	(351)	245.798

(1) Impairment on assets for resale is classified under other assets from tangible assets in current period.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
Cost						
Land and buildings	197.289	1.931	-	26.705	-	225.925
Assets held under finance leases	5.250	-	(8)	-	-	5.242
Vehicles	1.604	-	(129)	-	-	1.475
Assets held for resale	576	-	-	-	-	576
Other	25.715	2.363	(2.599)	-	-	25.479
Total Cost	230.434	4.294	(2.736)	26.705	-	258.697
Accumulated depreciation						
Land and buildings	995	(480)	-	-	-	515
Assets held under finance leases	(4.884)	(123)	8	-	-	(4.999)
Vehicles	(656)	(267)	98	-	-	(825)
Assets held for resale	(3)	-	3	-	-	-
Other	(18.673)	(3.709)	529	-	-	(21.853)
Total accumulated depreciation	(23.221)	(4.579)	638	-	-	(27.162)
Impairment provision						
Land and buildings	-	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Assets held for resale	(186)	(21)	-	-	-	(207)
Other	-	-	-	-	-	-
Total impairment provision	(186)	(21)	-	-	-	(207)
Net book value	207.027	(306)	(2.098)	26.705	-	231.328

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

13. Information on intangible assets

13.a Useful lives and amortization rates used:

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

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

13.b Amortization methods used:

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

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

Current Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Gross Book Value
Software	5.232	(3.139)	6.537	(3.957)
Goodwill	1.005	-	1.005	-

Prior Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Gross Book Value
Software	3.534	(2.483)	5.232	(3.139)
Goodwill	1.005	-	1.005	-

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

13. Information on intangible assets (continued)

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

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	5.232	1.305	-	6.537
Goodwill	1.005	-	-	1.005
Total Cost	6.237	1.305	-	7.542
Accumulated Amortization				
Software	(3.139)	(818)	-	(3.957)
Goodwill	-	-	-	-
Total Accumulated Amortization	(3.139)	(818)	-	(3.957)
Impairment Provision	-	-	-	-
Software	-	-	-	-
Total Impairment Provision				
Net Book Value	3.098	487	-	3.585

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	3.534	1.698	-	5.232
Goodwill	1.005	-	-	1.005
Total Cost	4.539	1.698	-	6.237
Accumulated Amortization				
Software	(2.483)	(656)	-	(3.139)
Goodwill	-	-	-	-
Total Accumulated Amortization	(2.483)	(656)	-	(3.139)
Impairment Provision				
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	2.056	1.042	-	3.098

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

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2016: None).

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

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2016: None).

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

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2016: None).

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

13. Information on intangible assets (continued)

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

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2016: None).

13.i Amount of purchase commitments for intangible assets:

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2016: None).

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

The Group did not revalue its intangible assets as at the reporting date (31 December 2016: None).

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

The Group has no research and development costs expensed in the current period (31 December 2016: None).

13.l Information on goodwill:

Goodwill on Consolidation	Effective Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler A.Ş.	95,78	1.005

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

	Current Period	Prior Period
Net Value at the Beginning of the Period	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
Net Value at the End of Period	1.005	1.005

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

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2016: None).

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

14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 243.145 (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 December 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	-	-	2.405	25.425
Pendorya Mall	143.690	947	-	8.353	152.990
Adana Hotel Project	64.613	10	-	107	64.730
Total	231.323	957	-	10.865	243.145

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.

Deferred tax asset:	Current period	Prior period
Loan commissions accrual adjustment	22.563	17.378
Other provisions	61.603	18.003
Employee benefit provision	2.605	2.151
Valuation of derivative instruments	-	-
Other	1.839	3.848
Total Deferred Tax Asset	88.610	41.380
Deferred tax liabilities:		
Marketable securities	(20.635)	(7.345)
Borrowings commissions accrual adjustment	(10.869)	(8.791)
Valuation of derivative instruments	(8.823)	(2.958)
Useful life difference of fixed assets	(592)	(457)
Others	(6.801)	(3.647)
Total Deferred Tax Liability	(47.720)	(23.198)
Net Deferred Tax Asset	40.890	18.182

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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I. Explanations and disclosures related to the consolidated assets (continued)

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

YF has unused tax losses that can be offset against future profits of TL 12.522 (31 December 2016: TL 26.099) and TL 316 (31 December 2016: TL 3.032) deferred tax assets are recorded over TL 1.582 (31 December 2016: TL 15.159) of these losses.

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

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

16. Explanations on assets held for sale:

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

17. Information about other assets

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

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

II. Explanations and disclosures related to the consolidated liabilities

1. Information on maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

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

Derivative Financial Liabilities Held For Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	14.804	6.867	13.094	4.779
Swap Transactions	108.906	59.403	101.915	75.382
Futures Transactions	-	-	-	-
Options	-	42.423	-	125.627
Other	-	-	-	-
Total	123.710	108.693	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	30.040	561.938	47.169	313.101
From Foreign Banks, Institutions and Funds	190.972	18.218.677	100.083	15.667.143
Total	221.012	18.780.615	147.252	15.980.244

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	30.040	134.812	47.180	73.741
Medium and long-term	190.972	18.645.803	100.072	15.906.503
Total	221.012	18.780.615	147.252	15.980.244

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

3. Information on banks and other financial institutions (continued)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	3.752.500	-	3.490.000
Cost	-	3.743.915	-	3.476.185
Book Value	-	3.746.229	-	3.486.732

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	449.634	127.078	234.353	60.998
Financial institutions and organizations	415.373	-	208.657	-
Other institutions and organizations	33.813	124.383	25.209	58.387
Real persons	448	2.695	487	2.611
From Foreign Transactions	3	34.060	3	-
Financial institutions and organizations	-	34.060	-	-
Other institutions and organizations	2	-	2	-
Real persons	1	-	1	-
Total	449.637	161.138	234.356	60.998

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

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

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

5. Explanations on financial lease obligations (net)

5.a Explanations on finance lease payables:

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

5.b Explanations regarding operational leases:

As of the reporting date, 9 branches of the Group companies are subject to operational leasing. Additionally, 24 cars and 291 computers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2016: 1 head office, 11 branches and 25 cars and 160 computers are subject to operational leasing).

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

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

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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	-	78.682	-	51.433
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	78.682	-	51.433

7. Information on provisions

7.a Information on general loan loss provisions:

	Current Period	Prior Period
General Provisions	136.131	177.167
I.Provisions for First Group Loans and Receivables	107.597	154.541
II.Provisions for Second Group Loans and Receivables	9.473	3.902
Provisions for Non-Cash Loans	2.447	2.714
Other	16.614	16.010

(1)Minimum provision rates for general provision calculation is used for first group standart loans and all non cash loans in Regulation “Regulation on Procedures and principles For Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside” published on the Official Gazette numbered 29918 dated 14 December 2016.

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 4.724 (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:

Free provision amounting to TL 190.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. (31 December 2016: None)

7.d.2 Information on employee termination benefits and unused vacation accrual:

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

As of 31 December 2017, employee termination benefits is amounting TL 9.763 reflected in financial statements (31 December 2016: TL 9.101). As of 31 December 2017, the Group has provided a reserve for unused vacation amounting to TL 2.388 (31 December 2016: TL 1.803). This balance is classified under reserve for employee benefits in the financial statements.

The actuarial gains amounting to TL 380 after 1 January 2017 have been accounted under equity in accordance with the revised TAS 19 standard (31 December 2016: TL 903 actuarial loss).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on provisions (continued)

7.d.2 Information on employee termination benefits and unused vacation accrual:

Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2017, the Group has no obligations on pension rights (31 December 2016: None).

Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2016: None).

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

The Parent Bank's present value of the liabilities of TSKB A.Ş. Memur ve Müstahdemleri Yardım ve Emekli Vakfı fund, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2017 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 16 January 2018, there is no need for technical or actual deficit to book provision as of 31 December 2017.

Accordingly, as of 31 December 2017 the Parent Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.16, the accounting policies related with employee benefits.

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

	Current Period	Prior Period
Other Provisions (*)	93.343	90.962
Total	93.343	90.962

(*) Other provisions balance includes amount to TL 90.000 for the risks related to loan portfolio. (31 December 2016: TL 90.000).

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	43.662	-	5.066	-
Deferred Tax Liability	-	-	-	-
Total	43.662	-	5.066	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	43.662	5.066
Taxation of Securities	754	753
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	6.358	3.564
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	478	246
Other	1.951	1.742
Total	53.203	11.371

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on taxes payable (continued)

8.a Information on current taxes payable (continued)

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	132	121
Social Security Premiums-Employer	149	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	43	37
Unemployment Insurance-Employer	86	74
Other	35	41
Total	445	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).

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:

As of 28 March 2017, the Parent Bank issued the sustainable subordinated debt securities which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625% semiannual coupon paymet. As of the end of the period, the value of the borrowing insturement is TL 1.146.236

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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

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	2.400.000	2.050.000
Preferred Stock	-	-

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

Capital System	Paid-in Capital	Ceiling
Registered Capital System	2.400.000	4.500.000

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

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid in capital of the 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. Aforementioned increase was approved by the BRSA dated 27 April 2017 and was announced in the Turkish Trade Registry Gazette dated 12 June 2017 and No. 9345.

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. Aforementioned increase was approved by the BRSA dated 6 May 2016 and was announced in the Turkish Trade Registry Gazette dated 4 July 2016 and No. 9110.

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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.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).

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	(13.878)	-	(21.522)	-
From Available for Sale Financial Assets	(27.200)	12.440	(21.600)	(26.774)
Valuation Differences	(35.047)	12.440	(25.843)	(26.774)
Foreign Exchange Difference	7.847	-	4.243	-
Total	(41.078)	12.440	(43.122)	(26.774)

11.i Information on legal reserves:

	Current Period	Prior Period
First legal reserve	156.707	132.885
Second legal reserve	84.531	83.422
Other Legal Reserves Appropriated In Accordance with Special Legislation	54	54
Total	241.292	216.361

11.j Information on extraordinary reserves:

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	121.888	113.175
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
Total	121.888	113.175

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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.k Explanations related to equity:

Movement of equity reserves during the period:

	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates (*)	Others Equity Reserves	Total
Current Period					
As of 1 January	(48.374)	(21.522)	201.168	624	131.896
Value increase/decrease of available for sale investments recognized directly under equity	36.722	-	-	-	36.722
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(305)	-	-	-	(305)
Tax effect of gains on available for sale investments	(2.798)	-	-	-	(2.798)
Other (*)	(5)	7.644	14.184	(280)	21.543
As of 31 December	(14.760)	(13.878)	215.352	344	187.058

(*)The valuation of real estates are made in accordance with the revaluation method in according to the scope of TAS 16. In 2017, the revaluation difference amounting to TL 14.184 and the related deferred tax effect which are determined by the certified valuation companies authorized by CMB and BRSA are recorded under the shareholders' equity. The actuarial valuation method specified in TAS 19 has been used in the calculation of employee rights provision and actuarial gains and losses amounting to TL 380 and the related deferred tax effect amounting to TL 100 after 1 January 2017 have been accounted under equity under the revised TAS 19 standards.

	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
Prior Period					
As at 1 January	(14.104)	(13.651)	174.619	30	146.894
Value increase/decrease of available for sale investments recognized directly under equity	(47.402)	(7.871)	-	-	(55.273)
Profit/loss on disposal of available for sale investments recycled to income statement from equity	3.402	-	-	-	3.402
Tax effect of gains on available for sale investments	6.537	-	-	-	6.537
Other (*)	3.193	-	26.549	594	30.336
As at 31 December	(48.374)	(21.522)	201.168	624	131.896

(*) The valuation of the real estates are made in accordance with the revaluation method in according to the scope of TAS 16. In 2016 the revaluation difference amounting to TL 26.549 which are determined by the certified valuation companies, authorized by CMB and BRSA, are recorded under the shareholders' equity.

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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)

12. Information on minority shares:

	Current Period	Prior Period
Paid-in-Capital	44.416	44.416
Other Capital Reserves	25	19
Share Premium	165	165
Securities Value Increase Fund	447	1
Legal Reserves	118	118
Extraordinary Reserves	1.682	1.682
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	11.568	19.086
Net Profit or Loss	(5.702)	(7.518)
Total	52.719	57.969

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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	99.151	78.479
Commitments for Money Market Brokerage Purchase and Sales	84.711	45.194
Commitments for Stock Brokerage Purchase and Sales	1.058.598	373.763
Commitments for Letter of Credit	611.167	467.812
Commitments from Forward Short Term Borrowing and Transfers	93	-
Capital commitments for subsidiaries and associates (*)	78.890	68.367
Other	291.310	289.821
Total	2.223.920	1.323.436

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

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

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

As of the reporting date, total letters of credits, surety and acceptance amount to TL 1.098.066 (31 December 2016: TL 693.817).

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

As of the reporting date, total letters of guarantee is TL 1.475.645 (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	736.635	741.804
With Maturity of One Year or Less than One Year	25.875	278.690
With Maturity of More than One Year	710.760	463.114
Other Non-Cash Loans	1.837.076	927.404
Total	2.573.711	1.669.208

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

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

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

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	-	-	-	-	-	-	4.073	1
Farming and stockbreeding	-	-	-	-	-	-	4.073	1
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	561.688	99	1.811.654	91	203.711	97	1.320.782	90
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	381.548	68	937.466	48	6.740	3	647.831	44
Electricity, Gas, Water	180.140	31	874.188	43	196.971	94	672.951	46
Construction	146	-	-	-	2.900	1	-	-
Services	1.164	1	199.059	9	3.837	2	133.905	9
Wholesale and Retail Trade	-	-	9.410	-	-	-	-	-
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Transportation and Communication	62	-	44.463	2	-	-	-	-
Financial Institutions	321	-	145.186	7	321	-	133.905	9
Real Estate and Leasing Services	781	1	-	-	3.516	2	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	562.998	100	2.010.713	100	210.448	100	1.458.760	100

1.c.3 Information on non cash loans classified under Group I and Group II:

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	559.681	2.010.713	206.781	1.458.760	3.317	-	3.667	-
Letters of Guarantee	559.681	912.647	206.781	764.943	3.317	-	3.667	-
Bank Acceptances	-	18.763	-	17.450	-	-	-	-
Letters of Credit	-	1.079.303	-	676.367	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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III. Explanations related to the consolidated off-balance sheet items (continued)

2. Information related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	16.485.559	15.536.775
Forward transactions	4.826.105	1.131.115
Swap transactions	7.007.482	7.473.724
Futures transactions	-	-
Option transactions	4.651.972	6.931.936
Interest related derivative transactions (II)	13.214.240	10.773.710
Interest rate swap transactions	13.214.240	10.773.710
Interest option transactions	-	-
Futures interest transactions	-	-
Other trading derivative transactions (III)	72.830	117.544
A. Total trading derivative transactions (I+II+III)	29.772.629	26.428.029
Types of hedging transactions		
Fair value hedges	10.582.050	7.747.800
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	10.582.050	7.747.800
Total Derivative Transactions (A+B)	40.354.679	34.175.829

As of 31 December 2017, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Other Buy	Other Sell	Fair Value Hedge
Current Period									
TL	485.006	496.499	594.254	1.783.828	1.159.838	1.159.838	-	-	-
US Dollar	1.161.362	1.149.585	6.235.835	4.790.697	918.051	918.051	-	-	10.582.050
Euro	423.419	423.467	3.139.039	3.323.127	248.097	248.097	-	-	-
Other	343.381	343.386	211.698	143.244	-	-	-	72.830	-
Total	2.413.168	2.412.937	10.180.826	10.040.896	2.325.986	2.325.986	-	72.830	10.582.050

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Other Buy	Other Sell	Fair Value Hedge
Current Period									
TL	126.329	123.456	1.119.290	1.700.415	1.619.601	1.619.601	-	-	-
US Dollar	307.817	255.250	4.992.769	4.355.508	1.006.565	1.006.567	-	-	7.747.800
Euro	133.652	184.611	2.829.390	2.846.192	839.802	839.800	-	-	-
Other	-	-	268.322	135.548	-	-	-	117.544	-
Total	567.798	563.317	9.209.771	9.037.663	3.465.968	3.465.968	-	117.544	7.747.800

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
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III. Explanations related to the consolidated off-balance sheet items (continued)

2. Information related to derivative financial instruments (continued)

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Swap Transactions	203.692	(135.793)	7.007.482	151.764	(141.417)	7.473.724
Interest Rate Swap Transactions	55.695	(32.518)	13.214.240	58.255	(35.880)	10.773.710
Forward Transactions	21.909	(21.669)	4.826.105	22.109	(17.873)	1.131.115
Futures Transactions	-	-	-	-	-	-
Option Transactions	42.519	(42.423)	4.651.972	125.627	(125.627)	6.931.936
Other	2.973	-	72.830	16.281	-	117.544
Total	326.788	(232.403)	29.772.629	374.036	(320.797)	26.428.029

Fair value hedges

For the year ended 31 December 2017, the Parent Bank has interest rate swaps for hedging purposes nominal amount of TL 10.582.050 (31 December 2016: TL 7.747.800).

Hedging from the cash-flow risk

As of 31 December 2017 there is no cash-flow hedging transactions (31 December 2016: None).

3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and such risk exposures to this respect (31 December 2016: None).

4. Explanations on contingent liabilities and assets

There are 56 legal cases against the Group which are amounting to TL 4.976 as of the reporting date (31 December 2016: TL 7.215 - 48 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.

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.

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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):

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable 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 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.

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

5. Custodian and intermediary services

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	209.464	9.179	80.498	6.504
Medium and Long Term Loans	216.065	876.636	165.941	599.067
Interest on Non-performing Loans	3.369	87	4.015	84
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	428.898	885.902	250.454	605.655

(*) 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 (*)	5.617	-	3.371	-
Domestic Banks	54.372	9.157	26.321	5.647
Foreign Banks	1.337	168	155	563
Branches and Head Office Abroad	-	-	-	-
Total	61.326	9.325	29.847	6.210

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

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	2.119	1	2.778	30
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	190.262	50.637	218.692	45.095
Investments Held to Maturity	177.715	12.254	78.270	8.793
Total	370.096	62.892	299.740	53.918

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. The subjected securities is evaluated based on actual index on the annual balance sheet date as of 31 December 2017.

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	20.054	8.511

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Information on interest expense

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	28.387	53.395	26.733	35.470
The Central Bank of Turkey	-	-	-	-
Domestic Banks	16.759	16.832	15.573	11.622
Foreign Banks	11.628	36.563	11.160	23.848
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	2.794	254.784	2.487	198.701
Total (*)	31.181	308.179	29.220	234.171

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

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

There is no interest expense to its associates and subsidiaries (31 December 2016: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (*)	-	262.943	-	149.831

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

3. Information on dividend income

	Current period	Prior period
Trading Securities	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Available-for-Sale Securities	4.519	2.007
Other	902	9.479
Total	5.421	11.486

4. Information on net trading income (net)

	Current period	Prior period
Profit	2.104.270	1.561.049
Gains on capital market operations	9.212	7.125
Gains on derivative financial instruments (*)	1.044.199	902.244
Foreign exchange gains	1.050.859	651.680
Losses (-)	(2.169.298)	(1.628.820)
Losses on capital market operations	(3.361)	(3.293)
Losses on derivative financial instruments (*)	(1.253.992)	(901.380)
Foreign exchange losses	(911.945)	(724.147)

(*) Foreign exchange gain from derivative transactions amounting to TL 423.893 is presented in "Gains on derivative financial instruments" (31 December 2016: TL 418.146), foreign exchange loss from derivative transactions amounting to TL (645.396) is presented in "Losses on derivative financial instruments" (31 December 2016: TL (445.777)).

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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)	45.514	12.952
Gains on Sale of Assets	244	235
From Associate and Subsidiary Sales	-	114
From Immovable Fixed Asset Sales	-	-
From Property Sales	244	59
From Other Asset Sales	-	62
Other (2)	22.651	13.456
Total	68.409	26.643

(1) Includes TL 41.036 General provision released in the current period.

(2) Other includes TL 9.464 rental income and TL 10.865 value increases of investment properties.

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	6.436	3.566
III. Group Loans and Receivables	-	18
IV. Group Loans and Receivables	4.896	-
V. Group Loans and Receivables	1.540	3.548
General provision expenses	-	33.124
Provision expenses for possible losses	190.000	-
Marketable securities impairment expenses	3.988	3.809
Trading securities	-	-
Investment securities available for sale	3.988	3.809
Impairment provisions	2.402	-
Associates	499	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	1.903	-
Other (*)	-	30.000
Total	202.826	70.499

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

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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	102.719	93.795
Reserve for Employee Termination Benefits	523	1.717
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	5.160	4.941
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	819	637
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	18	21
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	35.317	48.332
Rent Expenses	2.818	3.300
Maintenance Expenses	1.972	1.847
Advertisement Expenses	1.121	1.364
Other Expenses	29.406	41.821
Loss on Sales of Assets	1.340	-
Other	24.290	19.420
Total	170.186	168.863

8. Information on profit/loss before tax from continued and discontinued operations before tax

As of 31 December 2017, profit before tax of the Group has increased by 33,59% as compared to the prior period (31 December 2016: 8,27% increase). In comparison with the prior period, the Group's net interest income has increased by 34,06% (31 December 2016: 26,78% increase).

9. Information on tax provision for continued and discontinued operations

9.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 161.659 (31 December 2016: TL 98.641). Deferred tax income is TL 27.542 (31 December 2016: TL 19.067 deferred tax charge).

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

Deferred tax income calculated on temporary differences is TL 27.542 (31 December 2016: TL 19.067 deferred tax charge).

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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)

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

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

As of 31 December 2017, the deferred tax charge calculated based on temporary timing differences is TL 28.073 (31 December 2016: TL 17.786 tax charge). Deferred tax expense reflected in the income statement on carry forward tax losses, tax deductions and exceptions amounts to TL 2.716 (31 December 2016: TL 1.281 expense).

In addition, TL 4.853 deferred tax charge 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 December 2016: TL 9.450 income).

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 1.873.822 of interest income, TL 856.543 of interest expenses, TL 42.662 of net fee and commission income from banking operations (31 December 2016: TL 1.409.679 interest income, TL 650.876 interest expenses, TL 25.017 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 5.702 (31 December 2016: TL 7.518 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 52.719 (31 December 2016: TL 57.969).

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	28.941	21.715
Commissions from Initial Public Offering	1.360	16
Investment Fund Management Income	2.092	1.597
Other	5.734	2.409
Total	38.127	25.737

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

1. Information related to capital

As of the balance sheet date, Paid in capital is TL 2.400.000 , legal reserves is TL 241.292
Extraordinary legal reserves is TL 121.888.

The change in the account of other capital reserves in the current period arises from the actuarial
difference related to the retirement pay liability.

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

The details of the securities increase fund are given in the footnote to Section II-11-h of Section
Five ithin the valuation differences comprise of available for sale financial assets amounting to
TL 22.607 (31.12.2016: TL 53.289) comprised deferred tax effect of TL 11.235 (31 December
2016: TL 14.038).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Information on increases in the cash flow hedges

There is no increase in the cash flow hedges.

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

As of 31 December 2017, increasing amount of TL 3.604 arising from the revaluation of securities available for sale is disclosed under the exchange differences in the statement of changes in the consolidated equity. (31 December 2016: 1.816)

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

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

6. Information about dividends

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

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

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

As of the reporting date, there are no dividends proposed by the Parent Bank for the approval in the General Assembly as explained above.

7. Amounts transferred to legal reserves

In the current year, TL 24.931 was transferred to the legal reserves (31 December 2016: TL 21.289).

8. Offsetting of the prior period's losses

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to consolidated statement of cash flows

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents

In the current period, other income amounting to TL 99.565 consists of gain from sale of assets and non-interest income (31 December 2016: TL 82.952 other income consists of other income, gain from sale of assets and non-interest income.)

Other caption in changes in assets and liabilities from banking operations amounting to TL 192.315 (31 December 2016: TL 562.627) consists of derivative financial transaction losses, other operating expenses, except employee termination benefits provision and depreciation expense and taxes paid, fees and commissions paid and foreign exchange gain and loss.

In the current period, net increase/decrease in other assets amounting to TL 154.658 (31 December 2016: TL 67.160) consists of changes in miscellaneous receivables, reserve requirement and other assets. In the current period, other liabilities amounting to TL 30.979 (31 December 2016: TL 1.077.480) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 751 (31 December 2016: TL 42.458).

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

In the current period, the Group invested TL 4.736 in tangible fixed assets and properties and invested TL 1.282 in intangible fixed assets. In the prior period, there is TL 1.000 investment on subsidiaries and affiliates.

In the prior period, the Group invested TL 4.065 in tangible fixed assets and properties and invested TL 1.698 in intangible fixed assets.

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

In the current period, the Group has generated a cash inflow of TL 329 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period, the Group has generated cash inflows of TL 306 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to consolidated statement of cash flows

4. Cash and cash equivalents at the beginning and end of period:

Cash and cash equivalents at the beginning of period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	29	21
Cash Equivalents	915.817	1.870.339
Total	915.846	1.870.360

Cash and cash equivalents at the end of period:

	End of the Current Period	End of the Prior Period
Cash	24	29
Cash Equivalents	504.224	915.817
Total	504.248	915.846

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

Reserves amounting to TL 831.678 (31 December 2016: TL 612.776) in Turkish Republic Central Bank represent of Turkish Lira, foreign currency and gold reserve requirements of the Parent Bank.

6. Additional information related to financial position and liquidity

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

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VII. 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	257.470	260	-	-	76.931	-
Interest and commission income received	20.047	7	251	-	6.609	-

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	8.276	235	1.080	67	4.104	-

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	-	-	-	-	-
End of the Period	444.536	417.925	-	-	-	-
Total Profit / Loss (*)	(32.621)	8.000	-	-	1.920	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Prior period includes the informations belong to 31 December 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 15.828 (31 December 2016: TL 14.233).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

	Number	Number of Employees			
Domestic branches (*)	2	375			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

(*) Consolidated subsidiaries have 9 branches and 111 personnels which are not presented in the table.

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

In the current year, the Parent Bank has not opened any branch or agency and there is no significant change in the organization structure of the Parent Bank's operating branches (31 December 2016: None).

IX. Explanations and notes related to subsequent events

As of 16 January 2018, The Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,50%, 5 Years maturity and semiannual coupon payment.

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SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to the operations of the Parent Bank

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

FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	BB+
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BBB-
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	F3
Support Note	3
Base Support Note	BB+
National Note	AAA
National Note Outlook	Stable
Privileged Unsecured Debt Rating Note	BB+
Subordinated Debt Rating Note	BB-
Financial Capacity Note	bb

International credit rating agency Fitch Ratings confirmed the Bank's ratings and outlook on 4 October 2017 and determined Bank's "Financial Capacity Note"

MOODY'S

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

Information above represents updated information as of 20 March 2017.

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SECTION SIX (Continued)

OTHER EXPLANATIONS (Continued)

I. Other explanations related to the operations of the Parent Bank (continued)

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

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,37% (9,54 over 10) as of 20 October 2017. Ratings under the main topics of weighted Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors are declared as; 9,49 (Weight: 25%), 9,69 (Weight: 25%), 9,85 (Weight: 15%), 9,33 (Weight: 35%) over 10 respectively.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The consolidated financial statements as of and for the year ended 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 30 January 2018 is presented in the introduction of this report.

II. Explanations and notes prepared by independent auditors

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