

**Türkiye Sınai Kalkınma Bankası
Anonim Şirketi**

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

(Convenience translation of unconsolidated 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 Unconsolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the effects of the matter on the unconsolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as at 31 December 2017 and unconsolidated financial performance and unconsolidated 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 unconsolidated 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 Bank 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 unconsolidated 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 unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated 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 matter described in the Basis for Qualified Opinion section we have determined the matters 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>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 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 operating effectiveness of the key controls in the process of fair value determination.</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 unconsolidated financial statements of the Bank 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 Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements, management is responsible for assessing the Bank's 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 or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Unconsolidated 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 unconsolidated 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's 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's 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 unconsolidated 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

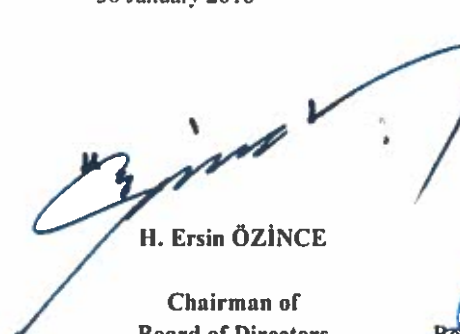





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The unconsolidated financial report for the year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

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

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 : Ayşe Nazlıca / Head of Budget Planning and Investor Relations
Telephone Number : (212) 334 51 94

INDEX**Page Number****SECTION ONE****General Information**

I.	The Bank's incorporation date, beginning status, changes in the existing status	1
II.	Explanations regarding the Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Bank	1
III.	Explanations regarding the chairman and the members of board of the directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Bank	2
IV.	Information about the persons and institutions that have qualified shares in the Bank	3
V.	Summary on the Bank's functions and areas of activity	3
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	3
VII.	The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities	4

SECTION TWO**Unconsolidated Financial Statements**

I.	Unconsolidated balance sheet	5
II.	Unconsolidated statement of off-balance sheet items	7
III.	Unconsolidated income statement	8
IV.	Unconsolidated statement of comprehensive income	9
V.	Unconsolidated statement of changes in equity	10
VI.	Unconsolidated statement of cash flows	11
VII.	Statement of profit distribution	12

SECTION THREE**Accounting Policies**

I.	Basis of presentation	13
II.	Explanations on usage strategy of financial assets and foreign currency transactions	14
III.	Explanations on forward and option contracts and derivative instruments	15
IV.	Explanations on interest income and expenses	16
V.	Explanations on fees and commission income and expenses	16
VI.	Explanations on financial assets	16
VII.	Explanations on impairment on financial assets	19
VIII.	Explanations on offsetting of financial assets and liabilities	20
IX.	Explanations on sales and repurchase agreements and lending of securities	20
X.	Explanations on assets held for sale and discontinued operations	20
XI.	Explanations on goodwill and other intangible assets	21
XII.	Explanations on tangible assets	21
XIII.	Explanations on leasing transactions	22
XIV.	Explanations on provisions and contingent liabilities	22
XV.	Explanations on liabilities regarding employee benefits	23
XVI.	Explanations on taxation	24
XVII.	Additional explanations on borrowings	25
XVIII.	Explanations on share certificates issued	25
XIX.	Explanations on acceptances	25
XX.	Explanations on government incentives	25
XXI.	Explanations on segment reporting	26
XXII.	Explanations on other matters	26

SECTION FOUR**Information on Financial Structure and Risk Management**

I.	Explanations related to shareholders' equity	27
II.	Explanations related to credit risk	32
III.	Explanations related to currency risk	44
IV.	Explanations related to interest rate risk	46
V.	Explanations related to stock position risk	50
VI.	Explanations related to the liquidity risk management and liquidity coverage ratio	52
VII.	Explanations related to leverage ratio	59
VIII.	Explanations related to presentation of financial assets and liabilities at fair value	60
IX.	Explanations related to transactions made on behalf of others and fiduciary transactions	61
X.	Explanations related to risk management	62

SECTION FIVE**Explanations and Disclosures on Unconsolidated Financial Statements**

I.	Explanations and disclosures related to the assets	84
II.	Explanations and disclosures related to the liabilities	111
III.	Explanations and disclosures related to the off-balance sheet items	119
IV.	Explanations and disclosures related to the income statement	124
V.	Explanations related to the statement of changes in shareholders' equity	129
VI.	Explanations related to the statement of cash flows	131
VII.	Explanations on the risk group of the Bank	133
VIII.	Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank	134

SECTION SIX**Other Explanations**

I.	Other explanations related to operations of the Bank	135
II.	Other explanations related to the events after the reporting date	136

SECTION SEVEN**Auditors' Report**

I.	Explanations on the auditors' report	136
II.	Explanations and notes prepared by independent auditors	136

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

Current Period	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 Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,71% of the shares belongs to İş Bank Group and 38,97% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
H. Ersin Özince (2)	Chairman of the Board of Directors
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
Aslı Zerrin Hancı	Vice President – Treasury, Treasury and Capital Markets Operations
H. Yetkin Kesler	Vice President – Pension and Assistance Funds, Human Resources and Corporate Communication, Enterprise Architecture and Process Management and Corporate Compliance

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

(2) In the Board of Directors meeting held on 07 April 2017, Mr. H. Ersin Özince was appointed as Chairman of the Board of Directors due to Mr. Adnan Bali's resignation from his duty in accordance with the 363rd 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.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

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

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

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

The Bank has executed marketing and valuation operations efficiently with two branches opened in Izmir and Ankara on April 2006.

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

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

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

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

Yatırım Finansman Menkul Değerler A.Ş. :

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:

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

İş Finansal Kiralama A.Ş.:

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

İş Faktoring A.Ş.:

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:

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

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

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

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

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

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

ASSETS	Note Ref.	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	10.591	836.540	847.131	161.303	616.771	778.074
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	194.100	132.688	326.788	130.477	249.626	380.103
2.1 Trading financial assets		194.100	132.688	326.788	130.477	249.626	380.103
2.1.1 Government debt securities		-	-	-	4.658	-	4.658
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		194.100	132.688	326.788	125.819	249.626	375.445
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	(3)	419	6.033	6.452	15.360	48.093	63.453
IV. MONEY MARKET PLACEMENTS		-	-	-	62.895	191.138	254.033
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		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.048.302	1.038.542	3.086.844	2.050.318	1.020.104	3.070.422
5.1 Share certificates		40.731	27.821	68.552	30.091	18.582	48.673
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)	3.889.490	18.341.523	22.231.013	2.595.797	14.722.796	17.318.593
6.1 Loans and receivables		3.889.490	18.341.523	22.231.013	2.595.797	14.722.796	17.318.593
6.1.1 Loans to the risk group of the Bank		104.450	229.951	334.401	245.062	212.410	457.472
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		3.785.040	18.111.572	21.896.612	2.350.735	14.510.386	16.861.121
6.2 Non-performing loans		48.540	982	49.522	47.077	1.362	48.439
6.3 Specific provisions (-)		(48.540)	(982)	(49.522)	(47.077)	(1.362)	(48.439)
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)	308.497	-	308.497	222.908	-	222.908
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		308.497	-	308.497	222.908	-	222.908
9.2.1 Financial investments		307.441	-	307.441	221.353	-	221.353
9.2.2 Non-financial investments		1.056	-	1.056	1.555	-	1.555
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	136.355	-	136.355	129.363	-	129.363
10.1 Unconsolidated financial subsidiaries		134.976	-	134.976	127.984	-	127.984
10.2 Unconsolidated non-financial subsidiaries		1.379	-	1.379	1.379	-	1.379
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	-	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)	50.853	-	50.853	51.112	-	51.112
XV. INTANGIBLE ASSETS (Net)	(13)	1.640	-	1.640	949	-	949
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1.640	-	1.640	949	-	949
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	39.366	-	39.366	14.195	-	14.195
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		39.366	-	39.366	14.195	-	14.195
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	69.206	210.650	279.856	61.734	276.841	338.575
TOTAL ASSETS		8.083.540	20.826.712	28.910.252	6.685.401	17.316.172	24.001.573

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
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	110.645	210.003	320.648
III.	FUNDS BORROWED	(3)	190.972	18.490.756	18.681.728	100.083	15.740.884	15.840.967
IV.	MONEY MARKET BALANCES		652.183	161.138	813.321	844.500	60.998	905.498
4.1	Interbank money market takings		202.143	-	202.143	610.144	-	610.144
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements		450.040	161.138	611.178	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.	BORROWER 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.	SUNDRY CREDITORS		5.985	48.959	54.944	3.868	73.329	77.197
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 (-)		-	-	-	-	-	-
	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)	441.174	-	441.174	278.392	-	278.392
12.1	General loan loss provisions		150.275	-	150.275	178.463	-	178.463
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		10.316	-	10.316	9.346	-	9.346
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		280.583	-	280.583	90.583	-	90.583
XIII.	TAX LIABILITY	(8)	51.990	-	51.990	10.309	-	10.309
13.1	Current tax liability		51.990	-	51.990	10.309	-	10.309
13.2	Deferred tax liability		-	-	-	-	-	-
	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	1.146.236	1.146.236	-	-	-
XVI.	SHAREHOLDERS' EQUITY		3.522.277	12.440	3.534.717	2.955.113	(26.774)	2.928.339
16.1	Paid-in capital	(11)	2.400.000	-	2.400.000	2.050.000	-	2.050.000
16.2	Capital reserves		94.081	12.440	106.521	29.784	(26.774)	3.010
16.2.1	Share premium		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	(11)	60.963	12.440	73.403	(5.695)	(26.774)	(32.469)
16.2.4	Tangible assets revaluation differences	(11)	32.571	-	32.571	34.702	-	34.702
16.2.5	Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8	Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		547	-	547	777	-	777
16.3	Profit reserves		432.528	-	432.528	398.884	-	398.884
16.3.1	Legal reserves	(11)	238.854	-	238.854	213.923	-	213.923
16.3.2	Statutory reserves		75.641	-	75.641	75.641	-	75.641
16.3.3	Extraordinary reserves	(11)	115.113	-	115.113	106.400	-	106.400
16.3.4	Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4	Profit or loss		595.668	-	595.668	476.445	-	476.445
16.4.1	Prior years' income/losses		-	-	-	-	-	-
16.4.2	Current year income/loss		595.668	-	595.668	476.445	-	476.445
TOTAL LIABILITIES AND EQUITY			5.103.078	23.807.174	28.910.252	4.401.029	19.600.544	24.001.573

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
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)		7.082.272	40.593.244	47.675.516	7.170.085	32.061.570	39.231.655
I. GUARANTEES AND COLLATERALS	(1)	563.000	2.010.713	2.573.713	210.450	1.458.760	1.669.210
1.1 Letters of guarantee		563.000	912.647	1.475.647	210.450	764.943	975.393
1.1.1 Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		563.000	912.647	1.475.647	210.450	764.943	975.393
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)	840.009	3.907.115	4.747.124	579.263	2.664.964	3.244.227
2.1 Irrevocable commitments		434.140	325.439	759.579	239.369	298.218	537.587
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		393.207	188.331	581.538	216.210	174.531	390.741
2.2 Revocable commitments		405.869	3.581.676	3.987.545	339.894	2.366.746	2.706.640
2.2.1 Revocable loan granting commitments		405.869	3.581.676	3.987.545	339.894	2.366.746	2.706.640
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	5.679.263	34.675.416	40.354.679	6.380.372	27.937.846	34.318.218
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	6.380.372	20.190.046	26.570.418
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	2.891.385	15.498.438	18.389.823
3.2.2.1 Foreign currency swaps-buy		576.866	2.996.840	3.573.706	954.500	2.939.433	3.893.933
3.2.2.2 Foreign currency swaps-sell		1.766.440	1.667.336	3.433.776	1.896.061	1.826.119	3.722.180
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)		58.811.358	240.601.901	299.413.259	42.733.558	190.380.447	233.114.005
IV. ITEMS HELD IN CUSTODY		345.091	243.801	588.892	239.987	130.993	370.980
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		40.935	243.801	284.736	34.244	130.993	165.237
4.3 Checks received for collection		-	-	-	-	-	-
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		304.156	-	304.156	205.743	-	205.743
V. PLEDGED ITEMS		44.620.472	137.020.472	181.640.944	31.660.545	112.960.070	144.620.615
5.1 Marketable securities		448.045	8.985.543	9.433.588	450.941	7.564.328	8.015.269
5.2 Guarantee notes		108.232	2.361.726	2.469.958	96.871	2.041.938	2.138.809
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		1.662.623	36.518.097	38.180.720	428.385	29.854.058	30.282.443
5.6 Other pledged items		42.401.572	89.155.106	131.556.678	30.684.348	73.499.746	104.184.094
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)		65.893.630	281.195.145	347.088.775	49.903.643	222.442.017	272.345.660

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 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
	Note Ref.			
I. INTEREST INCOME	(1)		1.826.236	1.376.480
1.1 Interest on loans			1.298.914	845.107
1.2 Interest received from reserve deposits			5.617	3.371
1.3 Interest received from banks			35.019	12.021
1.4 Interest received from money market placements			51.422	162.956
1.5 Interest received from marketable securities portfolio			431.900	352.241
1.5.1 Financial assets held for trading			1.032	1.391
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			1.705	757
II. INTEREST EXPENSES	(2)		(786.945)	(599.292)
2.1 Interest on deposits			-	-
2.2 Interest on funds borrowed			(322.678)	(242.405)
2.3 Interest on money market borrowings			(200.412)	(206.844)
2.4 Interest on securities issued			(262.943)	(149.831)
2.5 Other interest expense			(912)	(212)
III. NET INTEREST INCOME (I - II)			1.039.291	777.188
IV. NET FEES AND COMMISSIONS INCOME			14.435	4.935
4.1 Fees and commissions received			20.992	11.968
4.1.1 Non-cash loans			16.335	10.876
4.1.2 Other			4.657	1.092
4.2 Fees and commissions paid			(6.557)	(7.033)
4.2.1 Non-cash loans			(796)	(303)
4.2.2 Other			(5.761)	(6.730)
V. DIVIDEND INCOME	(3)		18.001	30.102
VI. NET TRADING INCOME	(4)		(45.515)	(54.782)
6.1 Securities trading gains/ (losses)			5.863	5.917
6.2 Derivative financial instruments gains/losses			(219.765)	174
6.3 Foreign exchange gains/losses (net)			168.387	(60.873)
VII. OTHER OPERATING INCOME	(5)		34.834	15.078
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)			1.061.046	772.521
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)		(201.300)	(63.635)
X. OTHER OPERATING EXPENSES (-)	(7)		(132.443)	(115.634)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)			727.303	593.252
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD			-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION			-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	(8)		727.303	593.252
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)		(131.635)	(116.807)
16.1 Provision for current income taxes			(161.659)	(98.641)
16.2 Provision for deferred taxes			30.024	(18.166)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)		595.668	476.445
XVIII. INCOME ON DISCONTINUED OPERATIONS			-	-
18.1 Income on assets held for sale			-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)			-	-
18.3 Income on other discontinued operations			-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)			-	-
19.1 Loss from assets held for sale			-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)			-	-
19.3 Loss from other discontinued operations			-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)			-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)			-	-
21.1 Provision for current income taxes			-	-
21.2 Provision for deferred taxes			-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)			-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)		595.668	476.445
Earnings / (losses) per share (Full Kuruş)			0,248	0,232

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS UNDER
SHAREHOLDERS' EQUITY
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		
ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR		
I. AVAILABLE FOR SALE FINANCIAL ASSETS	26.270	(43.241)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	3.530
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	3.604	1.816
GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW		
V. HEDGES (Effective Portion of Fair Value Differences)	-	-
GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET		
VI. INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF		
VII. ERRORS	-	-
OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS'		
VIII. EQUITY AS PER TAS	78.490	53.471
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(4.853)	9.450
NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS'		
X. EQUITY (I+II+...+IX)	103.511	25.026
XI. CURRENT YEAR PROFIT/LOSS	595.668	476.445
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	(305)	3.402
Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income		
11.2 Statement	-	-
11.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	595.973	473.043
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	699.179	501.471

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

**UNCONSOLIDATED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 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	57	-	-	192.634	75.641	82.703	2.844	-	406.845	(53.345)	31.348	-	-	-	2.488.727	-	2.488.727
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	57	-	-	192.634	75.641	82.703	2.844	-	406.845	(53.345)	31.348	-	-	-	2.488.727	-	2.488.727
Changes in the period																			
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	19.060	-	-	-	-	19.060	-	19.060
VI. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	(20)	-	3.354	-	-	-	3.334	-	3.334
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		-	720	-	-	-	-	-	76	-	-	-	-	-	-	-	796	-	796
XIX. Period net income		-	-	-	-	-	-	-	-	476.445	-	-	-	-	-	-	476.445	-	476.445
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	777	-	-	213.923	75.641	106.400	2.920	476.445	-	(32.469)	34.702	-	-	-	2.928.339	-	2.928.339
Current Period – 31 December 2017																			
I. Opening Balance		2.050.000	777	-	-	213.923	75.641	106.400	2.920	-	476.445	(32.469)	34.702	-	-	-	2.928.339	-	2.928.339
Changes in the period																			
II. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	102.268	-	-	-	-	102.268	-	102.268
IV. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	(2.131)	-	-	-	(2.131)	-	(2.131)
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		-	(230)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period net income		-	-	-	-	-	-	-	-	595.668	-	-	-	-	-	-	(230)	-	(230)
XVIII. Profit distribution		-	-	-	-	24.931	-	8.713	-	-	(126.445)	-	-	-	-	-	595.668	-	595.668
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(92.801)	-	-	-	-	-	(92.801)	-	(92.801)
18.2 Transfers to reserves		-	-	-	-	24.931	-	8.713	-	-	(33.644)	-	-	-	-	-	(92.801)	-	(92.801)
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		2.400.000	547	-	-	238.854	75.641	115.113	2.920	595.668	-	73.403	32.571	-	-	-	3.534.717	-	3.534.717

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Note Ref.	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		865.402	987.789
1.1.1 Interest received		1.529.787	1.039.218
1.1.2 Interest paid		(780.028)	(514.523)
1.1.3 Dividends received		3.270	9.478
1.1.4 Fees and commissions received		20.992	11.968
1.1.5 Other income	(1)	41.077	21.286
1.1.6 Collections from previously written off loans		3.827	12.658
1.1.7 Payments to personnel and service suppliers		(84.635)	(74.135)
1.1.8 Taxes paid		(122.638)	(135.445)
1.1.9 Others	(1)	253.750	617.284
1.2 Changes in operating assets and liabilities		(2.403.690)	(2.661.477)
1.2.1 Net (increase) decrease in financial assets		4.658	23.487
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		(2.801.974)	(1.385.915)
1.2.5 Net (increase) decrease in other assets	(1)	(154.905)	71.697
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		661.810	(118.993)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	(113.279)	(1.251.753)
I. Net cash provided by/(used in) banking operations		(1.538.288)	(1.673.688)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		91.693	(353.216)
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)	(3.580)	(2.234)
2.4 Fixed asset sales	(3)	300	203
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		878.041	652.646
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(2)	(1.281)	(690)
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)	659	40.069
V. Net increase / (decrease) in cash and cash equivalents		(461.737)	(1.170.365)
VI. Cash and cash equivalents at beginning of the period	(4)	481.913	1.652.278
VII. Cash and cash equivalents at end of the period	(4)	20.176	481.913

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

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

(**) A nominal value of 1 Kurus 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 Kurus.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

I.a Presentation of financial statements:

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

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

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

The amendments of TAS and TFRS, effectiveness date is 1 January 2017, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will have no impact on the accounting policies, financial condition and performance of the Bank. 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 unconsolidated financial statements, the underlying explanations and disclosures are expressed in Thousands of Turkish Lira unless otherwise stated.

Additional paragraph for convenience translation to English

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

The fixed rate 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.

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

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

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

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

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

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

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

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

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

The hedging strategies for other foreign exchange risk exposures:

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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

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

III. Explanations on forward and option contracts and derivative instruments

The Bank is exposed to financial risk which 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 Bank are foreign currency forwards, swaps and option agreements.

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IV. Explanations on interest income and expenses

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

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

V. Explanations on fees and commission income and expenses

Fees and commissions received from 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 cash and non-cash loans are recorded under income and expense accounts in the related period by discounting with effective interest method according to matching principle. Commission income received from non-cash loans are recorded on accrual basis.

VI. Explanations on financial assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the both of the Bank's trading activities and operations. Risks related with these instruments constitutes majority of total risks.

Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. The Bank trades these instruments on behalf of its customers and on its own behalf. Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

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

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

Cash, Banks and Other Financial Institutions:

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

Marketable Securities:

The Bank classifies its marketable securities in 3 groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at the inception as financial assets at fair value through profit or loss by the Bank. The Bank uses such classification above when permitted or for the purposes of providing a more proper disclosure. 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

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 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 unconsolidated 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 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 Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets (continued)

Loans:

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

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

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

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

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

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

VII. Explanations on impairment on financial assets

At each reporting date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment. A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event ("loss event") after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized.

Loans are classified and followed in line with the provisions of the "Regulation on Identification of Loans and Other Receivables and Provisioning against Them", published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on offsetting of financial assets and liabilities

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

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

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

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

X. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XI. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. As of reporting date, The Bank has no goodwill on the unconsolidated financial statements.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated 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.

XII. Explanations on tangible assets

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on tangible assets (continued)

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

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

XIII. Explanations on leasing transactions

The Bank as Lessor

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

The Bank as Lessee

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

XIV. Explanations on provisions and contingent liabilities

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

Explanations on contingent assets

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. 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 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19. Employees of the Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on liabilities regarding employee benefits (continued)

In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements. Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 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 Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank.

XVI. Explanations on taxation

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on taxation (continued)

Transfer pricing

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

XVII. Additional explanations on borrowings

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

The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method. Some of the securities 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 accounted 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.

XVIII. Explanations on share certificates issued

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the Bank will be increased from TL 2.050.000 to TL 2.400.000 by adding TL 350.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2016. The 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 Bank will be increased from TL 1.750.000 to TL 2.050.000 by adding TL 300.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2015. The increase in paid-in capital was approved by the BRSA on 6 May 2016 and disclosed in the dated 4 July 2016 and numbered 9110 Turkish Trade Registry Gazette.

XIX. Explanations on acceptances

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

XX. Explanations on government incentives

The Bank does not use government incentives.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXI. Explanations on segment reporting

In accordance with its mission, the Bank mainly operates in corporate and investment banking segments. 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 Bank's net profit, total assets and total liabilities are shown below.

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	494.491	544.800	-	1.039.291
Net Fees and Commission Income	15.521	(1.086)	-	14.435
Other Income	34.150	-	18.685	52.835
Other Expense	(119.127)	(60.193)	(199.938)	(379.258)
Profit Before Tax	425.035	483.521	(181.253)	727.303
Tax Provision	-	-	-	(131.635)
Net Profit	-	-	-	595.668
Current Period				
Segment Assets	22.294.423	5.799.030	371.947	28.465.400
Investment in Associates and Subsidiaries	-	-	444.852	444.852
Total Assets	22.294.423	5.799.030	816.799	28.910.252
Segment Liabilities	24.312.703	398.797	664.035	25.375.535
Shareholders' Equity	-	-	3.534.717	3.534.717
Total Liabilities	24.312.703	398.797	4.198.752	28.910.252

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

XXII. Explanations on other matters

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to shareholders' equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2017, the capital adequacy ratio of Bank has been calculated as 17,05%.

	Current Period	Prior Period
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.400.374	2.050.374
Share premiums	-	-
Reserves	432.528	398.884
Other comprehensive income according to TAS	198.640	120.231
Profit	595.668	476.445
Current Period Profit	595.668	476.445
Prior Period Profit	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Core Equity Tier 1 Capital Before Deductions	3.627.210	3.045.934
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9 (i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	92.666	117.998
Leasehold improvements on operational leases	5.032	5.255
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	1.312	569
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	173	403
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier I Capital	99.183	124.225
Core Equity Tier I Capital	3.528.027	2.921.709
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Core Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 capital	-	-
The total of net long position of the direct or indirect investments in additional Tier 1 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 (-)	328	380
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	328	380
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	3.527.699	2.921.329
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)	150.275	178.463
Tier II Capital Before Deductions	1.276.025	178.463
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Common Equity Tier I capital (-)	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (continued)

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	1.276.025	178.463
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.803.724	3.099.792
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	369
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking and financial 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, and financial 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 and financial entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.803.724	3.099.423
Total Risk Weighted Assets	28.175.215	21.631.077
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	12,52	13,51
Tier I Capital Adequacy Ratio (%)	12,52	13,51
Capital Adequacy Ratio (%)	17,05	14,33
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	8,02	6,33
Amounts below the Excess Limits as per the Deduction Principles		
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	328.237	230.570
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholder's equity (continued)

Limits Related to Provisions Considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	150.275	178.463
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	150.275	178.463
Excess amount of total provision amount to credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4		
(to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier I Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to Temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to Temporary Article 4	-	-

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to shareholders' equity (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 seem in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

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

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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 (*)	Average Risk Amount(**)	Risk Amount (*)	Average Risk Amount(*)
Exposures to sovereigns and their central banks	5.467.281	5.231.481	5.349.704	4.839.243
Exposures to regional and local governments	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	7.216	8.743	8.023
Exposures to multilateral development banks	-	-	-	-
Exposures to international organizations	-	-	-	-
Exposures to banks and securities firms	1.408.496	2.656.436	1.917.561	3.330.263
Exposures to corporates	34.294.108	29.934.919	24.049.655	18.623.281
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 corporates	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-
Equity investments	513.404	451.670	400.945	214.765
Other exposures	660.749	647.563	189.842	495.286

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

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

There are control limits on positions held in the form of futures and options contracts and other similar contracts. Limits are continuously checked by the bank management. Credit risk is managed together with the potential risks arising from market movements. Credit risk, market risk, liquidity risk and other risks are considered as a whole. When exposed to significant credit risk, the Bank is on the verge of reducing total risk by concluding futures and similar contracts, exercising their rights, fulfilling or selling their performances in a short period of time. Indemnified non-cash loans are subject to the same risk weight as the unpaid credits when they occur.

Except for the monitoring method determined by the related legislation of the renewed and re-amortized loans, the current rating of the relevant company is changed within the Bank within the scope of internal rating application and all kinds of measures are taken for risk classification. The Bank follows concentration on a maturity basis and examines the risks that differ from the normal course. Foreign transactions are made with many correspondent banks in many countries. The counterparty limits have been set in transactions with banks. As an active participant in the international banking market, the Bank does not have significant credit risk concentration when evaluated together with the financial activities of other financial institutions.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (Continued)

The first 100 and 200 largest cash loans constitute 74,33% and 93,26% of the total cash loans portfolio of the Bank respectively (31 December 2016: 80,63% 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 Bank respectively (31 December 2016: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 72,84% and 92,33% of the total on and off balance sheet accounts of the Bank respectively (31 December 2016: 78,84% and 96,37%).

The Bank calculated the general loan loss provision of TL 150.275 (31 December 2016: TL 178.463).

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

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	872.974	591.176
High Grade	1.941.211	1.878.714
Average Grade	20.098.076	15.520.292
Below Average Grade	722.407	538.242
Impaired	50.688	49.608
Total	23.685.356	18.578.032

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

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 24.917.658 and TL 1.232.302 of these customers have not been rated (31 December 2016: TL 19.040.034 , TL 462.002).

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Profile of significant exposures in major region

						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	Total
Domestic	5.475.205	-	-	-	-	794.320	22.823.188	-	987.801	-	292	-	-	-	19.059	106.991	30.206.856
European Union (EU) Countries	-	-	-	-	-	150.422	-	-	-	-	-	-	-	-	27.821	78.902	257.145
OECD Countries (**)	-	-	-	-	-	14.370	-	-	-	-	-	-	-	-	-	-	14.370
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	19.412	-	-	-	-	-	-	-	-	-	-	19.412
Other Countries	-	-	-	-	-	54.983	108.752	-	-	-	-	-	-	-	-	-	163.735
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	466.524	-	466.524
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	998	-	-	-	-	-	-	-	-	35.222	36.220
Total	5.475.205	-	-	-	-	1.033.507	22.932.938	-	987.801	-	292	-	-	-	513.404	221.115	31.164.262

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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	Securitization positions	Short term exposures to banks, brokerage houses and corporates	Equity investments in the form of collective investment undertakings	Other exposures	
Domestic	5.189.971	-	1.749	-	-	1.008.419	16.940.327	-	1.129.502	-	-	-	-	-	12.447	57.700	24.340.11
European Union (EU) Countries	-	-	-	-	-	256.090	-	-	-	-	-	-	-	-	12.818	-	268.908
OECD Countries (**)	-	-	-	-	-	2.229	-	-	-	-	-	-	-	-	-	-	2.229
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	33.839	-	-	-	-	-	-	-	-	-	-	33.839
Other Countries	-	-	-	-	-	152.201	70.007	-	-	-	-	-	-	-	-	-	222.208
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	214.238	-	-	-	-	-	-	-	369.916	-	584.154
Unallocated Assets/Liabilities (***)	-	-	-	-	-	17.600	5.212	-	-	-	-	-	-	-	5.764	121.107	149.683
Total	5.189.971	-	1.749	-	-	1.470.378	17.229.784	-	1.129.502	-	-	-	-	-	400.945	178.807	25.601.13

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Risk profile by sectors or counterparties

	Risk Types (*)																TL	FC	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			
Current Period																			
Agriculture	-	-	-	-	-	-	41.146	-	-	-	-	-	-	-	-	340	36.934	4.552	41.486
Farming and Stockbreeding	-	-	-	-	-	-	41.146	-	-	-	-	-	-	-	-	-	36.594	4.552	41.146
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	340	-	340
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	15.321.470	-	259.336	-	292	-	-	-	7	2.553	1.312.378	14.271.280	15.583.658
Mining and Quarrying	-	-	-	-	-	-	167.944	-	-	-	-	-	-	-	-	-	-	167.944	167.944
Production	-	-	-	-	-	-	4.936.560	-	259.336	-	-	-	-	-	7	-	1.015.197	4.180.706	5.195.903
Electricity, Gas and Water	-	-	-	-	-	-	10.216.966	-	-	-	292	-	-	-	-	2.553	297.181	9.922.630	10.219.811
Construction	-	-	-	-	-	-	1.066.096	-	111.298	-	-	-	-	-	-	72	172.732	1.004.734	1.177.466
Services	847.110	-	-	-	-	1.033.507	6.357.239	-	607.130	-	-	-	-	-	513.397	90.055	1.541.303	7.907.135	9.448.438
Wholesale and Retail Trade	-	-	-	-	-	-	486.664	-	-	-	-	-	-	-	-	8.045	102.329	392.380	494.709
Accommodation and Dining	-	-	-	-	-	-	283.442	-	532.342	-	-	-	-	-	-	-	65.872	749.912	815.784
Transportation and Telecommunication	-	-	-	-	-	-	1.242.091	-	-	-	-	-	-	-	1.056	-	21.278	1.221.869	1.243.147
Financial Institutions	847.110	-	-	-	-	1.033.507	2.244.466	-	-	-	-	-	-	-	510.962	82.010	1.081.922	3.636.133	4.718.055
Real Estate and Rental Services	-	-	-	-	-	-	742.817	-	51.533	-	-	-	-	-	-	-	556	793.794	794.350
Professional Services	-	-	-	-	-	-	502.905	-	-	-	-	-	-	-	1.379	-	239.070	265.214	504.284
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	4.628.095	-	-	-	-	-	146.987	-	10.037	-	-	-	-	-	-	128.095	3.463.911	1.449.303	4.913.214
Total	5.475.205	-	-	-	-	1.033.507	22.932.938	-	987.801	-	292	-	-	-	513.404	221.115	6.527.258	24.637.004	31.164.262

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Risk profile by sectors or counterparties (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	TL	FC	Total
Agriculture	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	359	10.809	2.037	12.846
Farming and Stockbreeding	-	-	-	-	-	-	11.735	-	752	-	-	-	-	-	-	-	10.450	2.037	12.487
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359	359	-	359
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	12.324.849	-	495.824	-	-	-	-	-	7	-	1.020.073	11.800.607	12.820.680
Mining and Quarrying	-	-	-	-	-	-	86.022	-	-	-	-	-	-	-	-	-	-	86.022	86.022
Production	-	-	-	-	-	-	3.548.502	-	474.374	-	-	-	-	-	7	-	593.201	3.429.682	4.022.883
Electricity, Gas and Water	-	-	-	-	-	-	8.690.325	-	21.450	-	-	-	-	-	-	-	426.872	8.284.903	8.711.775
Construction	-	-	-	-	-	-	178.218	-	7.390	-	-	-	-	-	-	-	9.375	176.233	185.608
Services	969.182	-	-	-	-	1.470.378	4.589.850	-	612.335	-	-	-	-	-	395.174	57.341	1.337.450	6.756.810	8.094.260
Wholesale and Retail Trade	-	-	-	-	-	-	229.913	-	6.843	-	-	-	-	-	-	-	849	235.907	236.756
Accommodation and Dining	-	-	-	-	-	-	467.364	-	189.879	-	-	-	-	-	-	-	-	657.243	657.243
Transportation and Telecommunication	-	-	-	-	-	-	740.738	-	111.524	-	-	-	-	-	1.555	-	1.555	852.262	853.817
Financial Institutions	969.182	-	-	-	-	1.470.378	1.625.171	-	-	-	-	-	-	-	392.240	57.341	1.132.259	3.382.053	4.514.312
Real Estate and Rental Services	-	-	-	-	-	-	316.391	-	262.595	-	-	-	-	-	-	-	2.493	576.493	578.986
Professional Services	-	-	-	-	-	-	593.783	-	-	-	-	-	-	-	1.379	-	195.907	399.255	595.162
Educational Services	-	-	-	-	-	-	123.427	-	14.927	-	-	-	-	-	-	-	4.387	133.967	138.354
Health and Social Services	-	-	-	-	-	-	493.063	-	26.567	-	-	-	-	-	-	-	-	519.630	519.630
Others	4.220.789	-	1.749	-	-	-	125.132	-	13.201	-	-	-	-	-	5.764	121.107	3.117.844	1.369.898	4.487.742
Total	5.189.971	-	1.749	-	-	1.470.378	17.229.784	-	1.129.502	-	-	-	-	-	400.945	178.807	5.495.551	20.105.585	25.601.136

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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	210.243	77.457	76.105	4	662.895
Exposures to corporates	829.133	903.970	1.311.583	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	1.923	-	-	-	44.162
Total	1.877.847	1.081.805	1.529.925	1.688.491	23.867.638

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
Prior Period	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposures to sovereigns and their central banks	612.776	1.165	377.492	148.307	3.286.448
Exposures to regional and local governments	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	60	-	-	-	1.674
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-
Exposures to banks and securities firms	178.260	133.540	188.064	54.380	662.116
Exposures to corporates	93.951	545.345	528.065	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	1.009	-	-	-	16.866
Total	887.995	680.445	1.114.948	1.417.405	19.782.775

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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 firm and corporates reside abroad, 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:

Credit Quality Grades	Fitch Ratings	Claims on Sovereigns	Risk Types		
			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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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	4.047.606	-	352.227	392.959	-	26.371.470	-	-	-	99.511
Exposures After Credit Risk Mitigation	4.231.281	-	352.227	1.380.760	-	25.199.994	-	-	-	99.511

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

Miscellaneous information by key sectors or counterparty

All of the Bank's impaired and underdeveloped receivables consist of domestic buyers.

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		36.513	5.904	
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	36.513	5.904	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	-	-	-	-
Total	49.522	37.725	5.928	(49.522)

(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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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	-	7.330	2.578	-
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	7.330	2.578	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	-	-	-	-
Total	48.439	7.330	2.578	(48.439)

(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	48.439	4.910	(3.827)	-	49.522
General Loan Loss Provision(1)	178.463	13.283	(41.471)	-	150.275

(*)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.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to 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.

Current Period Country risk taken ultimately	Private Sector Loans in Banking Book	Risk Weighted Amount calculations for Trading Book	Total
United States	3.389	-	3.389
Georgia	108.752	-	108.752
England	3.135	-	3.135
Turkey	24.832.289	268.623	25.100.912
Total	24.947.565	268.623	25.216.188

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

III. Explanations related to currency risk

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

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

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

	1 US Dollar	1 Euro
The Bank's "Foreign Exchange Valuation Rate"		
31 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 Bank before the reporting date are full TL 3,8195 and 4,5225 respectively.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk:

Current Period	Euro	US Dollar	Other FC	Total
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	1.043	3.391	1.599	6.033
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	9.646.190	12.775.650	75.794	22.497.634
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	98.426	62.712	-	161.138
Funds Provided From Other Financial Institutions	9.299.256	9.191.493	7	18.490.756
Marketable Securities Issued (5)	-	4.892.465	-	4.892.465
Miscellaneous Payables	16.781	32.054	124	48.959
Derivative Financial Liabilities for Hedging Purposes	-	78.682	-	78.682
Other Liabilities (4)	25.560	16.525	2.573	44.658
Total Liabilities	9.440.023	14.273.931	2.704	23.716.658
Net Balance Sheet Position	206.167	(1.498.281)	73.090	(1.219.024)
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	7.089.744	11.233.297	121.859	18.444.900
Total Liabilities	7.153.677	12.307.033	2.503	19.463.213
Net Balance Sheet Position	(63.933)	(1.073.736)	119.356	(1.018.313)
Net Off –Balance Sheet Position	73.730	1.052.712	(118.621)	1.007.821
Financial Derivative Assets	1.633.724	3.491.955	134.472	5.260.151
Financial Derivative Liabilities	(1.559.994)	(2.439.243)	(253.093)	(4.252.330)
Non-Cash Loans (6)	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) Marketable securities valuation increase fund amounting to TL 12.440, exchange rate differences arising from derivative transactions amounting to TL 78.060 and forward foreign exchange purchase transaction rediscounts amounting TL 16 based on foreign currencies have not been included in "Other Liabilities".

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to currency risk (continued)

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

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

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	447	1.083	600	(3.185)
Euro	10	1.009	643	166	337
Other	10	98	74	-	-

	Decrease in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(447)	(1.083)	(600)	3.185
Euro	10	(1.009)	(643)	(166)	(337)
Other	10	(98)	(74)	-	-

(*) Values expressed are before the tax effect.

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

IV. Explanations related to interest rate risk

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (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	-	-	-	-	426.996	847.131
Banks	-	-	-	-	-	6.452	6.452
Financial Assets at Fair Value Through Profit and Loss	74.832	147.030	79.523	25.403	-	-	326.788
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	88.570	155.606	1.047.061	971.432	755.623	68.552	3.086.844
Loans	3.387.581	6.649.087	8.107.041	3.372.960	714.344	-	22.231.013
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	816.567	879.977
Total Assets	4.174.775	7.674.814	9.647.310	4.416.388	1.678.398	1.318.567	28.910.252
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	779.112	87	34.122	-	-	-	813.321
Miscellaneous Payables	-	-	-	-	-	54.944	54.944
Marketable Securities Issued (3)	-	-	-	3.746.229	1.146.236	-	4.892.465
Funds Provided from Other Financial Institutions	3.728.663	6.477.021	3.969.277	2.343.537	2.163.230	-	18.681.728
Other Liabilities (2)	44.825	128.938	98.428	46.791	5.004	4.143.808	4.467.794
Total Liabilities	4.552.600	6.606.046	4.101.827	6.136.557	3.314.470	4.198.752	28.910.252
Balance Sheet Long Position	-	1.068.768	5.545.483	-	-	-	6.614.251
Balance Sheet Short Position	(377.825)	-	-	(1.720.169)	(1.636.072)	(2.880.185)	(6.614.251)
Off-Balance Sheet Long Position	35.614	-	-	4.878.400	412.774	-	5.326.788
Off-Balance Sheet Short Position	-	(1.508.556)	(3.750.901)	-	-	-	(5.259.457)
Total Position	(342.211)	(439.788)	1.794.582	3.158.231	(1.223.298)	(2.880.185)	67.331

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

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

Prior 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	413.451	-	-	-	-	364.623	778.074
Banks	49.928	-	-	-	-	13.525	63.453
Financial Assets at Fair Value Through Profit and Loss	56.104	92.777	129.483	67.326	34.413	-	380.103
Money Market Placements	191.138	62.895	-	-	-	-	254.033
Available-for-Sale Financial Assets	333.011	288.125	844.154	890.502	665.957	48.673	3.070.422
Loans	1.975.475	5.644.313	6.538.267	2.632.395	528.143	-	17.318.593
Held-to-Maturity Investments	180.460	645.935	362.595	-	186.739	-	1.375.729
Other Assets	-	272	1.295	1.949	548	757.102	761.166
Total Assets	3.199.567	6.734.317	7.875.794	3.592.172	1.415.800	1.183.923	24.001.573
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	905.424	74	-	-	-	-	905.498
Miscellaneous Payables	-	-	-	-	-	77.197	77.197
Marketable Securities Issued	-	-	-	3.486.732	-	-	3.486.732
Funds Provided from Other Financial Institutions	3.548.270	5.561.174	3.114.314	1.573.342	2.043.867	-	15.840.967
Other Liabilities (2)	34.989	98.963	174.741	64.075	4.630	3.313.781	3.691.179
Total Liabilities	4.488.683	5.660.211	3.289.055	5.124.149	2.048.497	3.390.978	24.001.573
Balance Sheet Long Position	-	1.074.106	4.586.739	-	-	-	5.660.845
Balance Sheet Short Position	(1.289.116)	-	-	(1.531.977)	(632.697)	(2.207.055)	(5.660.845)
Off-Balance Sheet Long Position	-	14.246	-	18.604	228.421	-	261.271
Off-Balance Sheet Short Position	(62.550)	-	(140.032)	-	-	-	(202.582)
Total Position	(1.351.666)	1.088.352	4.446.707	(1.513.373)	(404.276)	(2.207.055)	58.689

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	1,43	-	3,48
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5,61	4,55	-	11,71
Loans	4,00	6,16	-	14,73
Held-to-Maturity Investments	-	5,59	-	11,69
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,28	0,50	-	12,27
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,71	-	-
Borrower Funds	0,25	0,50	-	8,00
Funds Provided From Other Financial Institutions	0,99	2,37	-	9,00

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to stock position risk

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

Equity shares risk due from banking book

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

Current Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	313.164	-	313.164
Quoted	313.164	-	313.164
Investment in Shares-Grade B	77.891	-	77.891
Quoted	77.891	-	77.891

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations related to stock position risk (continued)

Equity shares risk due from banking book (continued)

Current Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	75.054	75.054	-
Other Share Certificates	-	12.634	12.634	-	-	-
Total	-	12.634	12.634	75.054	75.054	-

Prior Period	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio		Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	(7.234)	(7.234)	-
Other Share Certificates	114	7.610	7.610	-	-	-
Total	114	7.610	7.610	(7.234)	(7.234)	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

1. Explanations related to the liquidity risk

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

1. Explanations related to the liquidity risk (continued)

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

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.

1.d Information on unconsolidated liquidity risk mitigation techniques

Unconsolidated 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 unconsolidated liquidity situation plans

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio

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

		Rate of “Percentage to be taken into account” not Implemented Total value		Rate of “Percentage to be taken into account” Implemented Total value	
Current Period		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			1.884.551	963.562
CASH OUTFLOWS					
2	Retail and Customers Deposits	87	17	4	1
3	Stable deposits	-	-	-	-
4	Less stable deposits	87	17	4	1
5	Unsecured Funding other than Retail and Small Business, Customers Deposits	1.257.720	854.342	927.292	613.194
6	Operational deposits	48.977	45.735	12.244	11.434
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	1.208.743	808.607	915.048	601.760
9	Secured funding			-	-
10	Other Cash Outflows	1.740.244	888.105	1.740.244	888.105
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.740.244	888.105	1.740.244	888.105
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	6.853.758	5.284.298	342.688	264.215
15	Other irrevocable or conditionally revocable commitments	7.188.125	5.848.569	1.041.472	800.410
16	TOTAL CASH OUTFLOWS			4.051.700	2.565.925
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	2.208.700	627.888	1.727.758	451.703
19	Other contractual cash inflows	1.731.416	1.465.954	1.731.415	1.465.955
20	TOTAL CASH INFLOWS	3.940.116	2.093.842	3.459.173	1.917.658
				Upper Limit Applied Amounts	
21	TOTAL HQLA STOCK			1.884.551	963.562
22	TOTAL NET CASH OUTFLOWS			1.012.925	648.267
23	LIQUIDITY COVERAGE RATIO (%)			186	149

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio (continued)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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 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 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (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	426.996	420.135	-	-	-	-	-	847.131
Banks	6.452	-	-	-	-	-	-	6.452
Financial Assets at Fair Value Through Profit and Loss	-	6.965	44.058	46.610	160.597	68.558	-	326.788
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	87.338	405.362	1.769.969	755.623	68.552	3.086.844
Loans	-	864.749	1.307.271	4.763.252	10.358.823	4.936.918	-	22.231.013
Held-to-Maturity Investments	-	-	-	-	859.079	672.968	-	1.532.047
Other Assets	-	1.851	-	3.861	46.593	11.105	816.567	879.977
Total Assets	433.448	1.293.700	1.438.667	5.219.085	13.195.061	6.445.172	885.119	28.910.252
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	227.370	339.472	2.925.150	7.621.504	7.568.232	-	18.681.728
Money Market Borrowings	-	779.112	87	34.122	-	-	-	813.321
Marketable Securities Issued (3)	-	-	-	-	3.746.229	1.146.236	-	4.892.465
Miscellaneous Payables	-	-	-	-	-	-	54.944	54.944
Other Liabilities (2)	-	37.015	43.662	46.889	150.696	45.724	4.143.808	4.467.794
Total Liabilities	-	1.043.497	383.221	3.006.161	11.518.429	8.760.192	4.198.752	28.910.252
Liquidity Gap	433.448	250.203	1.055.446	2.212.924	1.676.632	(2.315.020)	(3.313.633)	-
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	22.812	2.573.713
Prior Period								
Total Assets	378.148	1.391.553	1.387.905	3.614.367	9.889.301	6.534.524	805.775	24.001.573
Total Liabilities	-	1.105.249	309.013	2.200.631	10.125.068	6.870.634	3.390.978	24.001.573
Liquidity Gap	378.148	286.304	1.078.892	1.413.736	(235.767)	(336.110)	(2.585.203)	-
Net Off-balance sheet Position	-	7.406	399	782	38.040	12.062	-	58.689
Financial Derivative Assets	-	1.765.110	1.573.087	2.916.888	6.827.177	4.106.192	-	17.188.454
Financial Derivative Liabilities	-	1.757.704	1.572.688	2.916.106	6.789.137	4.094.130	-	17.129.765
Non-cash Loans (4)	-	21.227	5.182	33.578	551.991	508.482	548.750	1.669.210

(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, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of undiscounted cashflow of 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	179.943	381.319	3.156.859	8.420.210	8.229.087	(1.685.690)	18.681.728
Money Market Borrowings	779.549	88	34.143	-	-	(459)	813.321
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	972.393	424.326	3.426.705	12.825.076	9.743.393	(2.991.478)	24.400.415

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	192.528	292.585	2.264.582	7.141.612	7.369.968	(1.420.308)	15.840.967
Money Market Borrowings	905.543	75	-	-	-	(120)	905.498
Marketable Securities Issued	-	-	179.300	1.580.100	2.376.364	(649.032)	3.486.732
Funds	5.317	-	-	-	-	-	5.317
Total	1.103.388	292.660	2.443.882	8.721.712	9.746.332	(2.069.460)	20.238.514

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to leverage ratio

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

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

As of 31 December 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 10,36% (31 December 2016: 10,61%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets are increased by 22,22% compared to prior period.

b) Leverage Ratio

		Current Period(*)	Prior Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	28.964.409	23.709.190
2	(Assets deducted from Core capital)	(110.313)	(100.807)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	28.854.096	23.608.383
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	360.058	216.502
5	Potential credit risk amount of derivative financial assets and credit derivatives	253.692	203.512
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	613.750	420.014
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	507.688	352.423
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	507.688	352.423
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	7.205.248	6.132.156
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)	3.623.743	2.957.385
	Capital and total risk		
13	Core Capital	3.480.315	2.899.693
14	Total risk amount (sum of lines 3, 6, 9 and 12)	33.599.277	27.338.205
	Leverage ratio		
15	Leverage ratio	10,36%	10,61%

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	26.919.766	22.086.022	27.071.260	22.972.274
Money Market Placements	-	254.033	-	254.033
Banks	6.452	63.453	6.452	63.453
Available-For-Sale Financial Assets	3.086.844	3.070.422	3.086.844	3.070.422
Held-To-Maturity Investments	1.532.047	1.375.729	1.528.305	1.363.859
Loans (1)	22.294.423	17.322.385	22.449.659	18.220.507
Financial Liabilities	24.455.359	20.315.711	24.472.157	20.243.008
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions (3)	19.507.950	16.751.782	19.507.950	16.751.782
Marketable Securities Issued (2)	4.892.465	3.486.732	4.909.263	3.414.029
Miscellaneous Payables	54.944	77.197	54.944	77.197

(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 issued, 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).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets Held for Trading	-	326.788	-
Financial Assets Available For Sale	2.900.400	29.832	151.709
Associates and Subsidiaries	360.429	-	82.366
Derivative Financial Assets For Hedging Purposes	-	-	-
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	232.403	-
Derivative Financial Liabilities For Hedging Purposes	-	78.682	-

Prior Period	Level I	Level II	Level III
Financial Assets			
Financial Assets held for Trading	4.658	375.445	-
Financial Assets Available For Sale	2.893.119	18.583	158.503
Associates and Subsidiaries	267.350	-	82.366
Derivative Financial Assets For Hedging Purposes		272	
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	320.648	-
Derivative Financial Liabilities For Hedging Purposes		51.433	

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management

Linkages between financial statements and risk amounts

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

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

Disclosures on the Risk management approach and risk-weighted amount

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts

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

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	25.960.821	19.232.205	2.076.866
2	Standardised approach	25.960.821	19.232.205	2.076.866
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	805.591	693.359	64.447
5	Standardised approach for counterparty credit risk	805.591	693.359	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	187.713	634.525	15.017
17	Standardised approach	187.713	634.525	15.017
18	Internal model approaches	-	-	-
19	Operational risk	1.221.150	1.070.988	97.692
20	Basic indicator approach	1.221.150	1.070.988	97.692
21	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)	28.175.275	21.631.077	2.254.022

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Assets		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	847.131	847.131	-	-	-	-
Financial Assets Held for Trading	-	-	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	326.788	-	326.788	-	132.986	-
Banks	6.452	6.452	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	3.086.844	3.086.844	1.091.425	-	-	-
Loans and Receivables	22.231.013	22.231.013	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Investment Held-to-Maturity (net)	1.532.047	1.532.047	552.078	-	-	-
Investment in Associates (net)	308.497	308.497	-	-	-	-
Investment in Subsidiaries (net)	136.355	136.355	-	-	-	-
Joint-Ventures (net)	-	-	-	-	-	-
Finance Lease Receivables	63.410	63.410	-	-	-	-
Derivative Financial Assets Held for Risk	-	-	-	-	-	-
Tangible Assets (net)	50.853	45.820	-	-	-	5.033
Intangible Assets (net)	1.640	-	-	-	-	1.640
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	39.366	39.366	-	-	-	-
Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Other Assets	279.856	249.870	-	-	-	29.986
Total Assets	28.910.252	28.546.805	1.970.291	-	132.986	36.659

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
Liabilities		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Deposits	-	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	232.403	-	-	-	118.724	113.679
Funds Borrowed	18.681.728	-	693.378	-	-	17.988.350
Money Market Funds	813.321	-	611.178	-	-	202.143
Securities Issued	3.746.229	-	-	-	-	3.746.229
Funds	12.901	-	-	-	-	12.901
Miscellaneous Payables	54.944	-	-	-	-	54.944
Other Liabilities	115.927	-	-	-	-	115.927
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	78.682	-	-	-	-	78.682
Provisions	441.174	-	-	-	-	441.174
Tax Liability	51.990	-	-	-	-	51.990
Liabilities for Assets Held for Sale and Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Debts	1.146.236	-	-	-	-	1.146.236
Shareholders' Equity	3.534.717	-	-	-	-	3.534.717
Total Liabilities	28.910.252	-	1.304.556	-	118.724	27.486.972

(*)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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (Continued)

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Linkages between financial statements and risk amounts (continued)

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

	Current Period	Total	Credit Risk (*)	Securitization Positions	Counterparty credit risk (*)	Market risk (**)
1	Asset carrying value amount under scope of regulatory consolidation	28.910.252	28.546.804	-	1.970.291	132.986
2	Liabilities carrying value amount under regulatory scope of consolidation	28.910.252	-	-	1.304.556	118.724
3	Total net amount	-	28.546.804	-	665.735	14.262
4	Off-balance sheet amounts	47.675.516	2.617.458	-	263.746	-
5	Differences due to prudential filters	-	-	-	114.829	-
6	Risk Amounts	-	31.164.262	-	1.044.310	14.262

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

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

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

(*)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.

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. Explanations on financial assets" in section "Accounting Policies" of chapter three of the report.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to 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)
Current Period	Defaulted (a)	Non-defaulted (b)	(c)	(d)
1 Loans	49.522	24.045.988	49.522	24.045.988
2 Debt Securities	-	4.598.435	48.096	4.550.339
3 Off-balance sheet exposures	1.166	7.320.254	583	7.320.837
4 Total	50.688	35.964.677	98.201	35.917.164

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to 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 period	49.605
2	Loans and debt securities that have defaulted since the last reporting period	4.910
3	Receivables back to non-defaulted status	3.827
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	50.688

	Prior Period	Balance
1	Defaulted loans and debt securities at end of the previous reporting period	60.571
2	Loans and debt securities that have defaulted since the last reporting period	1.692
3	Receivables back to non-defaulted status	12.658
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)	49.605

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

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

Loans and other receivables, including overdue interests, are restructured under the Provisional Regulation by providing additional credits, if necessary, in order to provide liquidity to the borrower and to collect the receivables of the borrower in case the failure to fulfill the payment obligation to the bank related to the loans and other receivables arises from temporary liquidity difficulties.

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, sector 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 Credit Risk."

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

On the basis of geographical regions, the receivables from the Bank consist of domestic receivables.

On sectoral basis, the amount of the Bank's impaired loans and related provisions is included in footnotes under Section Four, Note II. "Information of major sectors or type of counterparties" explanations 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)

Aging analysis for overdue receivables

The aging analysis of the receivables past due is included in footnotes under Section Four, Note II. "Explanations related to 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 guarantees are assessed on a daily basis at the Bank. Depending on the use of the comprehensive financial guarantee method, the risk-mitigating effects of the collateral are taken into account by means of standard volatility adjustments. Valuations of real estate mortgages used in capital adequacy calculations are regularly reviewed.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk mitigation (continued)

Qualitative disclosure on credit risk mitigation techniques (continued)

The value of the real estates is determined by the valuation institutions authorized by the Capital Markets Board.

The main guarantees that the Bank may use within the scope of credit risk mitigation techniques; financial guarantees, guarantees and mortgages. At 31 December 2017, mortgages were used as the credit risk mitigation technique in the calculation of the amount subject to credit risk.

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	22.649.346	1.171.159	984.202	225.483	183.675	-	-
2	Debt securities	4.550.339	-	-	-	-	-	-
3	Total	27.199.685	1.171.159	984.202	225.483	183.675	-	-
4	Of which defaulted	49.522	-	-	-	-	-	-

	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	17.916.659	1.278.412	1.089.582	-	-	-	-
2	Debt securities	4.397.478	-	-	-	-	-	-
3	Total	22.314.137	1.278.412	1.089.582	-	-	-	-
4	Of which defaulted	48.439	-	-	-	-	-	-

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 included in footnotes under Section Four, Note II "Explanations related to credit risk"

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach

Credit risk exposure and credit risk mitigation effects

	Curent 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	5.247.592	219.689	5.431.267	43.938	1.244.307	22,7%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	929.641	478.855	929.640	103.867	834.198	80,7%
7	Exposures to corporates	20.731.288	13.562.819	20.547.612	2.385.325	22.654.132	98,8%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	984.202	7.197	984.203	3.598	493.900	50,0%
11	Past due receivables	49.522	-	-	-	-	-
12	Exposures in higher-risk categories	-	1.167	-	292	146	50,0%
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	140.678	520.071	140.679	80.437	220.734	99,8%
17	Equity Investments	513.404	-	513.404	-	513.404	100,0%
18	Total	28.596.327	14.789.798	28.546.805	2.617.457	25.960.821	83,3%

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to risk management (continued)

Explanations related to credit risk (continued)

Credit risk under standard approach

Credit risk exposure and credit risk mitigation effects

	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
	Risk Groups						
1	Exposures to sovereigns and their central banks	5.150.038	199.666	5.150.038	39.933	996.206	19,2%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	8.743	-	1.749	1.749	100,0%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	1.245.465	672.096	1.245.465	224.913	621.859	42,3%
7	Exposures to corporates	15.598.584	8.451.073	15.598.584	1.631.200	16.467.915	95,6%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.089.582	62.554	1.089.582	39.920	564.751	50,0%
11	Past due receivables	48.439	-	-	-	-	-
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	107.934	81.908	107.934	70.873	178.780	100,0%
17	Equity Investments	400.945	-	400.945	-	400.945	100,0%
18	Total	23.640.987	9.476.040	23.592.548	2.008.588	19.232.205	75,1%

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to 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	75%	100%	150%	200%	Other	Total Risk Amount
	Risk Groups/ Risk Weight										
1	Exposures to sovereigns and their central banks	4.230.898	-	-	-	-	1.244.307	-	-	-	5.475.205
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	214.671	55.144	-	763.692	-	-	-	1.033.507
7	Exposures to corporates	-	-	137.556	337.523	-	22.457.859	-	-	-	22.932.938
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	-	-	-	-	-	513.404	-	-	-	513.404
16	Other exposures	383	-	-	-	-	220.732	-	-	-	221.115
17	Total	4.231.281	-	352.227	1.380.760	-	25.199.994	-	-	-	31.164.262

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

Exposures by asset classes and risk weights

76

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR)

Qualitative disclosures on CCR

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

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

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

Analysis of counterparty credit risk exposure by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post Credit risk mitigation	Risk weighted amount
	Current Period						
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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR)

Analysis of counterparty credit risk 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)	375.714	230.653	-	-	536.713	356.844
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	229.704	133.023
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	489.867

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	536.713	203.492
4	Total subject to the CVA capital charge	536.713	203.492

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Counterparty credit risk exposures (CCR) 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Disclosures on counterparty credit risk (CCR) (continued)

Counterparty credit risk (CCR) exposures by regulatory portfolio and risk weights (continued)

Prior Period									
Risk weight									
Risk groups	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	-	-	29.851	485.940	-	-	-	-	515.791
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	-	29.851	502.438	-	232.678	-	-	766.417

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to 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	-	-	-	-	641.012	-
Cash – foreign currency	-	-	-	-	663.544	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.304.556	-

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.

Exposures to central counterparties (CCP)

None.

Explanations on securitizations

None.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations 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.

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

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

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

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
	Outright products	-	-
1	Interest rate risk (general and specific)	141.363	610.262
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	46.350	24.263
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	187.713	634.525

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations related to risk management (continued)

Explanations 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	Toplam/Pozitif BG yılı sayısı	Oran (%)	Toplam
Gross Income	578.876	644.577	730.383	651.279	15	97.692
Value at Operational Risk (Total*12,5)						1.221.150

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			
1	TL	+500 / (400) basis point	(91.944) / 83.505	(1,91%) / 1,74%
2	Euro	+200 / (200) basis point	56.563 / (18.688)	1,18% / (0,39%)
3	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			
1	TL	+500 / (400) basis point	(155.521) / 147.503	(5,02%) / 4,76%
2	Euro	+200 / (200) basis point	32.523 / (15.160)	1,05% / (0,49%)
3	US Dollar	+200 / (200) basis point	(57.320) / 55.837	(1,85%) / 1,80%
	Total (for Negative Shocks)		188.181	6,07%
	Total (for Positive Shocks)		(180.318)	(5,82%)

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20	-	27	-
Balances with the Central Bank of Turkey	10.571	836.540	161.276	616.771
Other	-	-	-	-
Total	10.591	836.540	161.303	616.771

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

	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 the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

2.a.1 Trading securities:

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

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

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

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

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

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

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

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

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

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

Held for Trading Financial Derivative Instruments	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	14.734	7.175	13.290	8.819
Swap Transactions	179.366	82.997	112.529	115.180
Futures Transactions	-	-	-	-
Options	-	42.516	-	125.627
Other	-	-	-	-
Total	194.100	132.688	125.819	249.626

As part of its economic hedging strategy, the Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 200 million as of 31 December 2017 is TL 134.631 income and the average rates are between 2020 and 2021.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	419	1.897	350	1.695
Foreign	-	4.136	15.010	46.398
Branches and head office abroad	-	-	-	-
Total	419	6.033	15.360	48.093

3.b Information on foreign banks:

	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 available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	16.347	-	111.173	-
Treasury bills	-	-	-	-
Other debt securities	-	155.306	-	101.682
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	16.347	155.306	111.173	101.682

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

All available for sale financial assets given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.389.292 (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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

Available for sale financial assets comprised of government bonds 59,01%, Eurobonds 32,72% and shares and other securities 8,27% (31 December 2016: government bonds 59,38%, Eurobonds 31,52% and shares and other securities 9,10%).

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

	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	74.933	56.458
Quoted on a stock exchange	32.121	29.579
Unquoted	42.812	26.879
Other Impairment provision(-)	(54.476)	(82.662)
Total	3.086.844	3.070.422

The net book value of unquoted available for sale share certificates is TL 37.927 (31 December 2016: TL 21.992).

5. Information on loans

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Current Period (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	
Cash Loans		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	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	-	-	-	-	-	-
Total	21.757.352	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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Prior Period (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	
Cash Loans		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	17.123.481	49.896	-	195.112	142.768	2.330
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	2.263.434	-	-	-	-	-
Consumer loans	217	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	13.268.042	49.896	-	146.769	94.425	2.330
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	17.123.481	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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

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

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
The time extended via the amendment on payment plan		
0-6 Months	-	-
6 Months -12 Months	-	-
1-2 Years	-	27.946
2-5 Years	48.415	96.688
5 Years	-	18.789

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

5.c Loans according to their maturity structure:

Current Period	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
Short-term loans and other receivables	1.347.133	-	-	-
Non-specialized loans	1.347.133	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
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	645.279	-	-	-
Non-specialized loans	645.279	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
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	-	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
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	18	199	217
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	18	199	217
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	18	199	217

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	878.502	125.356
Private	21.352.511	17.193.237
Total	22.231.013	17.318.593

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	22.123.201	17.246.461
Foreign loans	107.812	72.132
Total	22.231.013	17.318.593

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	257.470	346.306
Indirect loans granted to subsidiaries and associates	-	-
Total	257.470	346.306

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	43.643	45.347
Total	49.522	48.439

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
(Gross amounts before provisions)	-	-	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	-	45.347
Additions (+)	4.895	1	14
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)	-	(3.446)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	985	4.894	43.643
Specific provision (-)	(985)	(4.894)	(43.643)
Net Balances on Balance Sheet	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	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	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Information on loans (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	985	4.894	43.643
Specific Provision Amount (-)	(985)	(4.894)	(43.643)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	3.092	-	45.347
Specific Provision Amount (-)	(3.092)	-	(45.347)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the 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
Investments 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 Securities	-	-
Total	1.532.047	1.375.729

6.3 Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities		
Quoted at stock Exchange	1.334.722	1.188.990
Unquoted at stock Exchange	199.228	186.739
Value Increase/ (Decrease)	(1.903)	-
Total	1.532.047	1.375.729

6.4 Movement of held to maturity investments within the year:

	Current Period	Prior Period
Balances at Beginning of Period	1.375.729	872.602
Foreign currency differences on monetary assets	13.915	31.581
Purchases during the period (*)	-	417.241
Cash obtained from sale and amortization	(836)	(1.597)
Value changes	(1.903)	-
Interest income accruals	145.142	55.902
Balances 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 current period.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net)

7.a.1 Information on associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	57,38
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,83
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,05	20,10

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	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
4	Terme (*)	16.292	3.030	197	-	-	(166)	21	-
5	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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net) (continued)

7.a.2 Information on associates:

	Current Period	Prior Period
Balance at the Beginning of the Period	222.908	156.008
Movements During the Period	85.589	66.900
Purchases	-	-
Bonus Shares Obtained	14.280	19.993
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase	71.808	46.907
Provision for Impairment	(499)	-
Balance at the End of the Period	308.497	222.908
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

Information on associates sold in the current period

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

Information on associates purchased in the current period

In current period the Bank has not purchased any associates.

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	11.882	11.882
Leasing Companies	273.946	190.820
Financial Service Companies	-	-
Other Financial Associates	21.613	18.651

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	295.559	209.471
Associates quoted on foreign stock exchanges	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net)

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

Current Period	YF (*)	TSKB GYO (*)
CORE CAPITAL		
Paid-in Capital	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.

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net) (continued)

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

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

8.b.1 Information on subsidiaries:

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

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	20.325	15.585	1.187	1.269	-	2.717	3.272	-
2	YF (*)	1.281.667	84.787	1.366	47.355	1.088	8.401	(3.973)	-
3	TSKB GYO (*)	468.324	176.478	374	276	-	(21.724)	(26.140)	64.871
4	TSKB SD	1.012	754	13	125	-	(560)	(293)	-

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

8.b.2 Movement schedule for subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	129.363	122.699
Movements in the period	6.992	6.664
Purchases	-	1.000
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase	6.992	5.664
Provision for impairment	-	-
Balance at the end of the period	136.355	129.363
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net) (continued)

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

Subsidiaries disposed in the current period

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

Subsidiaries purchased in the current period

During the current period, the Bank has no subsidiaries acquired.

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

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	134.976	127.984

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	64.871	57.879
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

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

10. Information on finance lease receivables (net)

10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

10. Information on finance lease receivables (net)

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

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

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

11. Explanation on derivative financial assets held for hedging purposes

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

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

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

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	10.582.050	-	(78.682)	7.747.800	272	(51.433)
FC	10.582.050	-	(78.682)	7.747.800	272	(51.433)
TL	-	-	-	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

11. Explanation on derivative financial assets held for hedging purposes

11.a.1 Information on fair value hedge accounting

Current Period	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(*)	Fair Value of Hedging Instrument(*)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item				Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	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 and hedging instrument are presented as net market value excluding credit risk and accumulated interest.

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

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

12. Explanations on tangible assets (net)

Since the third quarter of 2015, the Bank has changed its accounting policy and adopted the revaluation method under TAS 16 in the valuation of properties included in property, plant and equipment. The appraisal companies authorized by CMB and BRSA are valued for the year 2017 and are not accounted as there is no significant change with the valuation amount recorded in the previous period.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Other	Current Period End
Cost						
Land and buildings	40.370	-	-	-	-	40.370
Assets held under finance leases	2.380	-	(21)	-	-	2.359
Vehicles	938	-	(266)	-	-	672
Assets held for resale	576	-	-	-	(576)	-
Other	21.221	3.580	(44)	-	-	24.757
Total Cost	65.485	3.580	(331)	-	(576)	68.158
Accumulated depreciation						
Land and buildings	(122)	(89)	-	-	-	(211)
Assets held under finance leases	(2.124)	(115)	21	-	-	(2.218)
Vehicles	(590)	(134)	226	-	-	(498)
Assets held for resale	-	-	-	-	-	-
Other	(11.330)	(3.075)	27	-	-	(14.378)
Total accumulated depreciation	(14.166)	(3.413)	274	-	-	(17.305)
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	51.112	149	(57)	-	(351)	50.853

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and disclosures related to the 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	Accumulated Amortization
Software	2.864	(1.915)	4.145	(2.505)

Prior Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	4.618	(3.932)	2.864	(1.915)

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

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	2.864	1.281	-	4.145
Total Cost	2.864	1.281	-	4.145
Accumulated amortization:				
Software	(1.915)	(590)	-	(2.505)
Total Accumulated Amortization	(1.915)	(590)	-	(2.505)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	949	691	-	1.640

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

13. Information on intangible assets (continued)

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

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

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

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

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

As at the reporting date, the Bank has no intangible assets acquired through government grants (31 December 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 at the reporting date, the Bank has no intangible assets acquired with government incentives (31 December 2016: None).

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

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2016: None).

13.i Amount of purchase commitments for intangible assets:

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

13. Information on intangible assets (continued)

13.l Information on goodwill:

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

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

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

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

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

14. Information on investment property

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

15. Information on deferred tax assets

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

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

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	22.563	17.378
Other provisions	61.600	18.000
Employee benefit provision	2.269	1.869
Other	717	568
Total Deferred Tax Asset	87.149	37.815
Deferred tax liability:		
Marketable securities	(20.808)	(7.493)
Valuation of derivative instruments	(8.823)	(3.635)
Loan commissions accrual adjustment	(10.869)	(8.791)
Useful life difference of fixed assets	(535)	(362)
Other	(6.748)	(3.339)
Total Deferred Tax Liability	(47.783)	(23.620)
Net Deferred Tax Asset	39.366	14.195

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

15. Information on deferred tax 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:

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

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

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

16. Explanation on assets held for sale

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

17. Information about other assets

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	14.804	6.867	13.094	4.779
Swap Transactions	108.906	59.403	97.551	79.597
Futures Transactions	-	-	-	-
Options	-	42.423	-	125.627
Other	-	-	-	-
Total	123.710	108.693	110.645	210.003

3. Information on banks and other financial institutions

3.a General 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	-	272.079	-	73.741
From Foreign Banks, Institutions and Funds	190.972	18.218.677	100.083	15.667.143
Total	190.972	18.490.756	100.083	15.740.884

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	134.812	-	73.741
Medium and long-term	190.972	18.355.944	100.083	15.667.143
Total	190.972	18.490.756	100.083	15.740.884

3.c Information on marketable securities issued

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	450.037	127.078	234.353	60.998
Financial institutions and organizations	415.776	-	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	450.040	161.138	234.356	60.998

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

5. Informations on financial lease obligations (net)

5.a Explanations on finance lease payables:

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

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 13 cars and 291 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2016: 2 head office buildings, 1 branch, 12 cars and 215 computers under operational leasing).

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	78.682	-	51.433
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	78.682	-	51.433

7. Explanations on provisions

7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	150.275	178.463
Provisions for First Group Loans and Receivables	107.597	155.061
Provisions for Second Group Loans and Receivables	9.473	3.902
Provisions for Non-Cash Loans	2.447	2.714
Other	30.758	16.786

(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:

The 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on provisions (continued)

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

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

7.d Information on other provisions (continued):

7.d.1 Provision 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 Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No: 19 and reflected the calculated amount to the financial statements.

As of 31 December 2017, employee termination benefits is amounting TL 8.312 reflected in financial statements (31 December 2016: TL 7.906). As of 31 December 2017, the Bank has provided a reserve for unused vacation amounting to TL 2.004 (31 December 2016: TL 1.440). This balance is classified under reserve for employee benefits in the financial statements.

Actuarial gains and losses amount of TL 311 are consisted after 1 January 2017, are recognised under equity in accordance with revised TAS 19 standard (31 December 2016: TL 900 actuarial loss).

Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2017, the Bank 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 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 Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.15, the accounting policies related with employee benefits.

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

Corporate Taxes and Deferred Taxes	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate tax 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	171	334
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	6.106	3.374
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	399	130
Other	1.553	1.320
Total	51.891	10.224

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	33	28
Unemployment insurance-Employer	66	57
Other	-	-
Total	99	85

8.b Information on deferred taxes liabilities:

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

9. Explanations on liabilities regarding assets held for sale

None. (31 December 2016: None)

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

As of 28 March 2017, The 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 payment. As of the end of the period, the value of the borrowing instrument is TL 1.146.236.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

11. Information on shareholders' equity

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 tahat, paid in capital of the Bank will be increased fol 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.

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

None (31 December 2016: None).

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity (continued)

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

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

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

11.g Information on preferred shares:

The Bank has no preferred shares (31 December 2016: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	95.378	-	16.577	-
Available for Sale Financial Assets	(34.415)	12.440	(22.272)	(26.774)
Valuation Differences	(42.262)	12.440	(26.515)	(26.774)
Foreign Exchange Difference	7.847	-	4.243	-
Total	60.963	12.440	(5.695)	(26.774)

11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	154.571	130.749
Second legal reserve	84.283	83.174
Other legal reserves appropriated in accordance with special legislation	-	-
Total	238.854	213.923

11.j Informations on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	115.113	106.400
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Total	115.113	106.400

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

11. Information on shareholders' equity (continued)

11.k Explanations related to equity:

Movement of equity reserves during the period

Current Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates(*)	Others Equity Reserves	Total
As at 1 January	(49.046)	16.577	34.702	777	3.010
Value increase/decrease of available for sale investments recognized directly under equity	30.179	78.801	-	-	108.980
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 (1)	(5)	-	(2.131)	(230)	(2.366)
As at 31 December	(21.975)	95.378	32.571	547	106.521

(1) The valuation of real estates are made by expertise firms that are endowed with the authority by CMB and BRSA in accordance with the revaluation method in according to the scope of TAS 16 and have no changes from the previous term. The revaluation difference amounting to 2.131 TL for 2017 is the effect of deferred tax changes rating. The actuarial valuation method stated in TAS 19 has been used in the calculation of employee termination benefit and the emerging actuarial gains and losses after 1 January 2017 amounting to 311 TL and the related deferred tax effect amounting to 81 TL have been accounted under equity in accordance with the revised TAS 19 standard.

Prior Period	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As at 1 January	(17.351)	(35.994)	31.348	57	(21.940)
Value increase/decrease of available for sale investments recognized directly under equity	(44.827)	52.571	-	-	7.744
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 (1)	3.193	-	3.354	720	7.267
As at 31 December	(49.046)	16.577	34.702	777	3.010

(1)The appraisal companies authorized by the CMB and BRSA were valued in accordance with the revaluation method stated in TAS 16, and revaluation difference of TL 3.510 and deferred tax effect of TL 176 for the year ended 31 December 2016 were recorded under equity. The actuarial valuation method specified in TAS 19 has been applied in the calculation of employee rights provision and actuarial gains and losses amounting to TL 900 after 1 January 2016 and the related deferred tax effect amounting to TL 180 have been accounted under equity under the revised TAS 19 standard.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

1. Explanation on off-balance sheet liabilities

1.a Types and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	99.151	78.479
Commitments for Stock Brokerage Purchase and Sales	158.451	68.274
Commitments for Letter of Credit	197.571	118.050
Commitments from Forward Short Term Borrowing and Transfers	93	-
Capital commitments for subsidiaries and associates (1)	78.890	68.367
Other	225.423	204.417
Total	759.579	537.587

(1) The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment. "

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

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

As of the reporting date, total letters of credit, surety and acceptances amount to TL 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 given by the Bank is TL 1.475.647 TL (31 December 2016: TL 975.393).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	736.637	741.806
With maturity of one year or less than one year	25.877	32.575
With maturity of more than one year	710.760	709.231
Other non-cash loans	1.837.076	927.404
Total	2.573.713	1.669.210

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	4.073	1
Farming and stockbreeding	-	-	-	-	-	-	4.073	1
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	561.688	99	1.811.654	91	203.711	97	1.320.782	91
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	47
Construction	146	-	-	-	2.900	1	-	-
Services	1.166	1	199.059	9	3.839	2	133.905	8
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	8
Real Asset and Leasing Services	783	1	-	-	3.518	2	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	563.000	100	2.010.713	100	210.450	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	559.683	2.010.713	206.783	1.458.760	3.317	-	3.667	-
Letters of Guarantee	559.683	912.647	206.783	764.943	3.317	-	3.667	-
Bank Acceptances	-	18.763	-	17.450	-	-	-	-
Letters of Credit	-	1.079.303	-	676.367	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Explanation related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	16.485.559	15.679.164
Forward transactions	4.826.105	1.131.115
Swap transactions	7.007.482	7.616.113
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	26.570.418
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	34.318.218

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	Futures Buy	Futures 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	Futures Buy	Futures Sell	Fair Value Hedge
Prior Period									
TL	126.329	123.456	974.912	1.916.473	1.619.601	1.619.601	-	-	-
US Dollar	307.817	255.250	5.208.164	4.355.508	1.006.565	1.006.567	-	-	7.747.800
Euro	133.652	184.611	2.829.390	2.701.506	839.802	839.800	-	-	-
Other	-	-	268.322	135.548	-	-	-	117.544	-
Total	567.798	563.317	9.280.788	9.109.035	3.465.968	3.465.968	-	117.544	7.747.800

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Explanation related to derivative financial instruments (continued)

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair Value Assets	Fair Value Liabilities	Notional Amount in Turkish Lira Equivalent	Fair Value Liabilities	Fair Value Assets	Notional Amount in Turkish Lira Equivalent
Swap Transactions	203.692	(135.793)	7.007.482	153.173	(141.268)	7.616.113
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	375.445	(320.648)	26.570.418

Fair value hedge

For the year ended 31 December 2017, the Bank has interest rate swaps for hedging purposes nominal amount of TL 10.582.050 (31 December 2016: 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 34 legal cases against the Bank which are amounting to TL 2.176 as of the reporting date (31 December 2016: TL 2.115 - 37 legal cases).

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

4. Explanations on contingent liabilities and assets (continued)

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

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the Bank in relation to the 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 Bank was contrary to the principle of legality and the Bank's property rights has been violated. This decision is considered to be a precedent for the Bank and an amount of TL 12.750 corresponding to the portion that the Bank was obliged to pay for the related period is recognised as income in the prior period.,

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

5. Custodian and intermediary services:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. Explanations and disclosures related to the income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	193.578	9.179	69.426	6.504
Medium and long term loans	216.065	876.636	166.011	599.067
Interest on non-performing loans	3.369	87	4.015	84
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	413.012	885.902	239.452	605.655

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

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (*)	5.617	-	3.371	-
Domestic banks	31.709	1.805	10.117	1.186
Foreign banks	1.337	168	155	563
Branches and head office abroad	-	-	-	-
Total	38.663	1.973	13.643	1.749

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

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1.031	1	1.361	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	369.008	62.892	298.323	53.918

As indicated in accounting policies, the bank evaluate its Consumer Price Indexed (CPI) government bonds which are in securities portfolio of the Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it is seem 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	20.793	8.595

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	24.848	40.252	16.177	25.041
The Central Bank of Turkey	-	-	-	-
Domestic banks	13.220	3.689	5.017	1.193
Foreign banks	11.628	36.563	11.160	23.848
Branches and head office abroad	-	-	-	-
Other financial institutions	2.794	254.784	2.487	198.700
Total (*)	27.642	295.036	18.664	223.741

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

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

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

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (*)	-	262.943	-	149.831

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

3. Information on dividend income

	Current period	Prior period
Financial Assets held for Trading	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Financial Assets Available For Sale	2.368	2.711
Other	15.633	27.391
Total	18.001	30.102

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	1.822.348	1.402.637
Gains on capital market operations	9.080	7.098
Gains on derivative financial instruments (*)	986.955	882.298
Foreign exchange gains	826.313	513.241
Losses (-)	(1.867.863)	(1.457.419)
Losses on capital market operations	(3.217)	(1.181)
Losses on derivative financial instruments (*)	(1.206.720)	(882.124)
Foreign exchange losses	(657.926)	(574.114)

(*) The foreign exchange gain from derivative transactions amounting to TL 367.511 is presented in "Gains on derivative financial instruments" (31 December 2016: TL 398.300), foreign exchange loss from derivative transactions amounting to TL (602.607) is presented in "Losses on derivative financial instruments" (31 December 2016: TL (418.234)).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released (1)	32.016	12.658
Gains on Sale of Assets	244	173
From Associate and Subsidiary Sales	-	114
From Immovable Fixed Asset Sales	-	-
From Property Sales	244	59
From Other Asset Sales	-	-
Other	2.574	2.247
Total	34.834	15.078

(1) Includes TL 28.188 General provision released in the current period

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	4.910	1.692
III. Group Loans and Receivables	-	20
IV. Group Loans and Receivables	4.896	-
V. Group Loans and Receivables	14	1.672
General provision expenses	-	28.134
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	201.300	63.635

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	82.574	72.694
Reserve for employee termination benefits	95	958
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	3.413	3.096
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	590	427
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	18	21
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	25.067	21.175
Rent expenses	9.871	8.852
Maintenance expenses	708	512
Advertisement expenses	936	873
Other expenses	13.552	10.938
Loss on sale of assets	1.340	-
Other	19.346	17.263
Total	132.443	115.634

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

As of 31 December 2017, the Bank's profit before tax has increased by 22,6 % compared to the prior period (31 December 2016: 16,68% increase). Net interest income of the Bank has increased by 33,72 % compared to the prior period (31 December 2016: 24,34% increase)

9. Explanation on tax provision for continued and discontinued operations

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

The Bank's current tax charge for the period is TL 161.659 (31 December 2016: TL 98.641). Deferred tax income is TL 30.024 (31 December 2016: TL 18.166 deferred tax charge).

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

Deferred tax income calculated on temporary differences is TL 30.024 (31 December 2016: TL 18.166 deferred tax charge).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

There has no deferred tax revenues or expenses reflected in the income statement in respect of financial losses, tax deductions and exemptions (31 December 2016: TL None).

10. Information on net profit/loss

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

The Bank has generated TL 1.826.236 of interest income, TL 786.945 of interest expenses and TL 14.435 of net fee and commission income from banking operations (31 December 2016: TL 1.376.480 interest income, TL 599.292 interest expense, TL 4.935 net fee and commission income).

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

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

10.c Minority share of profit and loss:

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

1. Informations related to capital

As of the balance sheet date, Paid in capital is TL 2.400.000, legal reserves is TL 238.854
Extraordinary legal reserves is TL 115.113.

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
within the valuation differences that comprise of available for sale financial assets amounting to TL
29.822 (31 December 2016: TL 53.289) comprised deferred tax effect of TL (11.235) (31 December
2016: TL 14.038).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

V. Explanations related to the 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 unconsolidated equity. (31 December 2016: TL 1.816)

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

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

6. Information about dividends

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

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

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

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

7. Amounts transferred to legal reserves

In the current year, TL 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VI. Explanations related to the statement of cash flows

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

In the current period, other income amounting to TL 41.077, consists of gain on sale of assets and non-interest income (31 December 2016: TL 21.286 gain on sale of assets, capital market transaction income and non-interest income).

Other caption in changes in assets and liabilities from banking operations amounting to TL 253.750 consists of derivative financial transaction losses, taxes paid except employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss. (31 December 2016: TL 617.284 consists of derivative financial transaction losses, taxes paid except loss employee termination benefits provision and depreciation expense, other operating expenses, fees and commissions paid and trading income/loss).

In the current period, net increase/decrease item in other assets amounting to TL (154.905) (31 December 2016: TL 71.697), consists of change in miscellaneous receivables, reserve requirement and other assets items.

In the current period, other payables amounting to TL (113.279) (31 December 2016: (TL 1.251.753)), consists of change in borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized amounting to TL 659 (31 December 2016: TL 40.069).

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

In the current period, the Bank has invested TL 3.580 of movable and immovable property and TL 1.281 of intangible assets.

In the prior period, the Bank has invested TL 2.234 of movable and immovable property and TL 690 of intangible assets. In the prior period, there is TL 1.000 investment on subsidiaries and affiliates.

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

In the current period, the Bank has generated a cash inflow of TL 300 on sale of movable fixed assets and properties (31 December 2016: TL 203).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

	End of the Current Period	End of the Prior Period
Cash	20	27
Cash Equivalents	20.156	481.886
Total	20.176	481.913

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

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

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

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

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

VII. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	346.306	7.878	21.131	-	90.035	-
Balance at End of Period	257.470	262	-	-	76.931	-
Interest and Commission Income	20.076	717	251	-	6.609	-

1.b Prior Period:

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

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

The Bank is not authorized to accept deposits.

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

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	849.378	116.656	-	-	-	-
End of the Period	444.536	849.378	-	-	-	-
Total Profit / Loss	(23.426)	6.801	-	-	1.920	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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

Benefits provided to the key management personnel in the current period amount to TL 11.209 (31 December 2016: TL 10.026).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

	Number	Number of Employees			
Domestic branches	2	375			
			Country of Incorporation		
Foreign Rep-offices	-	-			
				Total Asset	Capital
Foreign Branches	-	-		-	-
Off-shore Banking Region Branches	-	-		-	-

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

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to operations of the Bank

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

FITCH RATINGS

Long-term Maturity Foreign Currency (issuer)	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
Support Note Base	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	
Long-term Maturity	Ba1
Outlook	Negative
Foreign Currency/Domestic Currency MTN Note:	(P) Ba1

Information above represents updated information as of 20 March 2017.

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

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, updated the Bank's corporate governance rating of 95,37% (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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION SIX (Continued)

OTHER EXPLANATIONS (Continued)

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

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%, five years maturity and semiannual coupon payment.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The unconsolidated financial statements for the period ended 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated 30 January 2018 is presented preceding the financial statements.

II. Explanations and notes prepared by independent auditors

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