

Türkiye Sınai Kalkınma Bankası Anonim Şirketi

**Publicly announced unconsolidated financial statements
and related disclosures at June 30, 2018 together with
auditor's review report and interim activity report**

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

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

INTERIM REVIEW REPORT

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

Introduction

We have reviewed the unconsolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") at 30 June 2018 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying unconsolidated financial statements as at 30 June 2018 include a free provision at an amount of TL 130.000 thousands, of which TL 190.000 thousands was provided in prior years and TL 60.000 thousands reversed in the current period by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions and include the reversal of deferred tax asset at an amount of TL 41.800 thousands, which was accounted based on the free provision provided in 31 December 2017. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior years' income/losses" as of 30 June 2018 is understated by TL 148.200 thousands after deducting the tax effect and the "pretax income" is overstated by TL 60.000 thousands.

Qualified Conclusion

Based on our review, except for the effects of the matter on the unconsolidated financial statements described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. at 30 June 2018 and the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English

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

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



Yaşar Bıvaz, ŞMMM
Partner

27 July 2018
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**


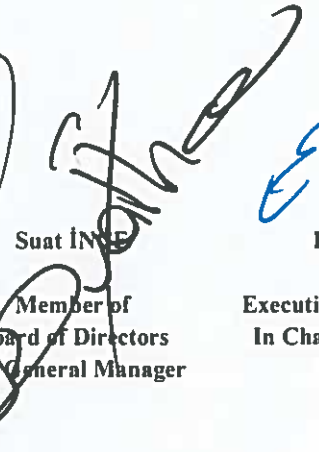
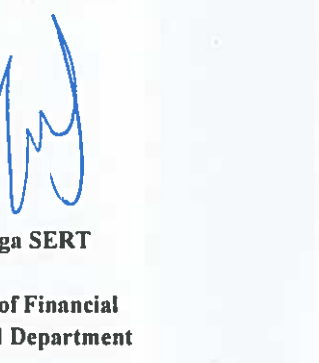
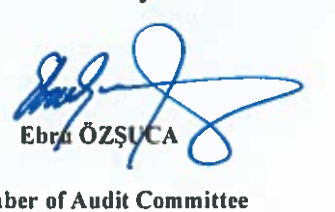

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The unconsolidated financial report for the six months includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation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

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

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

27 July 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

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2018
(Amounts are 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	1.418.280	50,65	1.418.280	-
T. Vakıflar Bankası T.A.O.	234.570	8,38	234.570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1.147.150	40,97	1.147.150	-
Total	2.800.000	100,00	2.800.000	-

Prior 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	-

The Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Bank's 50,65% of the shares belongs to İş Bank Group and 38,86% 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 FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2018
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
H. Ersin Özince	Chairman of the Board of Directors
Mehmet Şencan	Vice Chairman of the Board of Directors and Member of Audit Committee
Yavuz Canevi	Member of the Board of Directors
Suat İnce	Member of the Board of Directors and General Manager
Mehmet Emin Özcan	Member of the Board of Directors
Ebru Özşuca	Member of the Board of Directors and Member of Audit Committee
Mithat Rende (2)	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ahmet Hakan Ünal (3)	Member of the Board of Directors
Hüseyin Yalçın (3)	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
Ece Börü (by proxy) (4)	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 Ordinary General Assembly meeting held on 23 March 2018, Mithat Rende was appointed as member of independent board within the scope of Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board for three years.

(3) In the Ordinary General Assembly meeting held on 23 March 2018, Kamil Yılmaz resigned from his duty. Ahmet Hakan Ünal and Hüseyin Yalçın was appointed as a member of the Board of Directors and started their duties by taking an oath as of 6 April 2018.

(4) As of 31 March 2018, Ufuk Bala Yücel has resigned from her duty as Vice President of Loans, Loan Monitoring and Loan Operations due to retirement and Ece Börü has been appointed by proxy Vice President of Loans, Loan Monitoring and Loan Operations.

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 2018 in the General Assembly Meeting held on 23 March 2018.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2018
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

The Bank is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey 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.

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 70,84%. 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 29,46%. 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 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%. 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.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2018

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

			Reviewed Current Period 30 June 2018	
	ASSETS	Section 5 Note I	TL	FC
				Total
I.	FINANCIAL ASSETS (NET)		4.281.326	2.646.354
1.1	Cash and Cash Equivalents		103.267	1.103.885
1.1.1	Cash and Balances with Central Bank	(1)	37.839	974.302
1.1.2	Banks	(3)	65.428	129.583
1.1.3	Money Market Placements		-	-
1.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.1	Government Debt Securities		-	-
1.2.2	Equity Instruments		-	-
1.2.3	Other Financial Assets		-	-
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.212.418	1.060.587
1.3.1	Government Debt Securities		2.027.547	1.024.029
1.3.2	Equity Instruments		17.666	35.669
1.3.3	Other Financial Assets		167.205	889
1.4	Financial Assets Measured at Amortized Cost	(6)	1.399.170	236.897
1.4.1	Government Debt Securities		1.399.170	236.897
1.4.2	Other Financial Assets		-	-
1.5	Derivative Financial Assets	(2)	567.966	245.483
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		567.966	245.483
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-
1.6	Non-Performing Financial Assets		-	-
1.7	Expected Loss Provision (-)		1.495	498
II.	LOANS (Net)	(5)	4.891.053	21.938.763
2.1	Loans		4.934.439	21.680.820
2.1.1	Measured at Amortized Cost		4.934.439	21.680.820
2.1.2	Fair Value Through Profit or Loss		-	-
2.1.3	Fair Value Through Other Comprehensive Income		-	-
2.2	Lease Receivables	(10)	-	117.742
2.2.1	Financial Lease Receivables		-	135.361
2.2.2	Operating Lease Receivables		-	-
2.2.3	Unearned Income (-)		-	17.619
2.3	Factoring Receivables		-	-
2.3.1	Measured at Amortized Cost		-	-
2.3.2	Fair Value Through Profit or Loss		-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-
2.4	Non-Performing Loans		48.548	471.628
2.5	Expected Credit Loss (-)		91.934	331.427
2.5.1	12 Months Expected Credit Losses (Stage I)		4.783	57.174
2.5.2	Significant Increase in Credit Risk (Stage II)		38.603	198.904
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		48.548	75.349
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	-	-
3.1	Held for Sale Purpose		-	-
3.2	Related to Discontinued Operations		-	-
IV.	EQUITY INVESTMENTS		550.664	-
4.1	Investments in Associates (Net)	(7)	376.095	376.095
4.1.1	Accounted Under on Equity Method		375.039	-
4.1.2	Unconsolidated Associates		1.056	-
4.2	Subsidiaries (Net)	(8)	174.569	174.569
4.2.1	Unconsolidated Financial Subsidiaries		173.190	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		1.379	-
4.3	Entities under Common Control (Joint Venture) (Net)		-	-
4.3.1	Joint Ventures Valued Based on Equity Method		-	-
4.3.2	Unconsolidated Joint Ventures		-	-
V.	TANGIBLE ASSETS (Net)	(12)	49.678	-
VI.	INTANGIBLE ASSETS (Net)	(13)	1.749	-
6.1	Goodwill		-	-
6.2	Other		1.749	-
VII.	INVESTMENT PROPERTY (Net)	(14)	-	-
VIII.	CURRENT TAX ASSET		-	-
IX.	DEFERRED TAX ASSET	(15)	49.067	-
X.	OTHER ASSETS	(17)	78.788	521.938
	TOTAL ASSETS		9.902.325	25.107.055
				35.009.380

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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 30 JUNE 2018

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

		Section 5		RESTATED	
		Note I		Audited	
				Prior Period	
				31 December 2017	
ASSETS		TL	FC	Total	
I. CASH AND BALANCES WITH CENTRAL BANK	(1)	10.591	836.540	847.131	
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	194.100	132.688	326.788	
2.1 Trading Financial Assets		194.100	132.688	326.788	
2.1.1 Government Debt Securities		-	-	-	
2.1.2 Share Certificates		-	-	-	
2.1.3 Derivative Financial Assets Held For Trading		194.100	132.688	326.788	
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	
IV. MONEY MARKET PLACEMENTS		-	-	-	
4.1 Interbank Money Market Placements		-	-	-	
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	
4.3 Receivables From Reverse Repurchase Agreements		-	-	-	
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.026.630	1.038.542	3.065.172	
5.1 Share Certificates		19.059	27.821	46.880	
5.2 Government Debt Securities		1.821.667	1.009.955	2.831.622	
5.3 Other Marketable Securities		185.904	766	186.670	
VI. LOANS AND RECEIVABLES	(5)	3.889.490	18.341.523	22.231.013	
6.1 Loans And Receivables		3.889.490	18.341.523	22.231.013	
6.1.1 Loans to the Risk Group of the Bank		104.450	229.951	334.401	
6.1.2 Government Debt Securities		-	-	-	
6.1.3 Other		3.785.040	18.111.572	21.896.612	
6.2 Non-Performing Loans		48.540	982	49.522	
6.3 Specific Provisions (-)		(48.540)	(982)	(49.522)	
VII. FACTORING RECEIVABLES		-	-	-	
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	1.334.721	197.326	1.532.047	
8.1 Government Debt Securities		1.334.721	197.326	1.532.047	
8.2 Other Marketable Securities		-	-	-	
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	344.173	-	344.173	
9.1 Accounted for under Equity Method		343.117	-	343.117	
9.2 Unconsolidated Associates		1.056	-	1.056	
9.2.1 Financial Investments		-	-	-	
9.2.2 Non-Financial Investments		1.056	-	1.056	
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	206.372	-	206.372	
10.1 Unconsolidated Financial Subsidiaries		204.993	-	204.993	
10.2 Unconsolidated Non-Financial Subsidiaries		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	(10)	-	63.410	63.410	
12.1 Finance Lease Receivables		-	73.957	73.957	
12.2 Operating Lease Receivables		-	-	-	
12.3 Other		-	-	-	
12.4 Unearned Income (-)		-	(10.547)	(10.547)	
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	
13.1 Fair Value Hedge		-	-	-	
13.2 Cash Flow Hedge		-	-	-	
13.3 Hedge of Net Investment in Foreign Operations		-	-	-	
XIV. TANGIBLE ASSETS (Net)	(12)	50.853	-	50.853	
XV. INTANGIBLE ASSETS (Net)	(13)	1.640	-	1.640	
15.1 Goodwill		-	-	-	
15.2 Other		1.640	-	1.640	
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-	
XVII. TAX ASSET	(15)	39.366	-	39.366	
17.1 Current Tax Asset		-	-	-	
17.2 Deferred Tax Asset		39.366	-	39.366	
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	
18.1 Held for Sale Purpose		-	-	-	
18.2 Related to Discontinued Operations		-	-	-	
XIX. OTHER ASSETS	(17)	69.206	210.650	279.856	
TOTAL ASSETS		8.167.561	20.826.712	28.994.273	

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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 30 JUNE 2018

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

		Reviewed Current Period 30 June 2018		
	Section 5 Note II	TL	FC	Total
LIABILITIES				
I. DEPOSITS	(1)	-	-	-
II. FUNDS BORROWED	(3)	121.951	22.219.279	22.341.230
III. MONEY MARKET BALANCES		101.856	196.129	297.985
IV. MARKETABLE SECURITIES ISSUED (Net)	(3)	-	6.131.722	6.131.722
4.1 Bills		-	-	-
4.2 Assets Backed Securities		-	-	-
4.3 Bonds		-	6.131.722	6.131.722
V. FUNDS		2.690	18.612	21.302
5.1 Borrower Funds		2.690	18.612	21.302
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		364.906	425.730	790.636
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		364.906	425.730	790.636
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(5)	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(7)	150.709	6.822	157.531
10.1 Restructuring Provisions		-	-	-
10.2 Reverse for Employee Benefits		11.978	-	11.978
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		138.731	6.822	145.553
XI. CURRENT TAX LIABILITY	(8)	39.698	-	39.698
XII. DEFERRED TAX LIABILITY	(8)	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(10)	-	1.364.250	1.364.250
14.1 Loans		-	-	-
14.2 Other Debt Instruments		-	1.364.250	1.364.250
XV. OTHER LIABILITIES		119.600	19.396	138.996
XVI. SHAREHOLDERS' EQUITY		3.792.295	(66.265)	3.726.030
16.1 Paid-in capital	(11)	2.800.000	-	2.800.000
16.2 Capital Reserves		374	-	374
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		374	-	374
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		32.744	-	32.744
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(11)	(82.715)	(66.265)	(148.980)
16.5 Profit Reserves		681.715	-	681.715
16.5.1 Legal Reserves		270.024	-	270.024
16.5.2 Status Reserves		75.641	-	75.641
16.5.3 Extraordinary Reserves		333.130	-	333.130
16.5.4 Other Profit Reserves		2.920	-	2.920
16.6 Profit Or Loss		360.177	-	360.177
16.6.1 Prior Years' Profit/Loss		35.659	-	35.659
16.6.2 Current Year Profit/Loss		324.518	-	324.518
TOTAL LIABILITIES AND EQUITY		4.693.705	30.315.675	35.009.380

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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 30 JUNE 2018

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

		RESTATED Audited Prior Period 31 December 2017			
		Section 5 Note II	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
III.	FUNDS BORROWED	(3)	190.972	18.490.756	18.681.728
IV.	MONEY MARKET BALANCES		652.183	161.138	813.321
4.1	Interbank Money Market Takings		202.143	-	202.143
4.2	Istanbul Stock Exchange Money Market Takings		-	-	-
4.3	Funds Provided Under Repurchase Agreements		450.040	161.138	611.178
V.	MARKETABLE SECURITIES ISSUED (Net)	(3)	-	3.746.229	3.746.229
5.1	Bills		-	-	-
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	3.746.229	3.746.229
VI.	BORROWER FUNDS		1.178	11.723	12.901
6.1	Borrower Funds		1.178	11.723	12.901
6.2	Others		-	-	-
VII.	MISCELLANEOUS PAYABLES		5.985	48.959	54.944
VIII.	OTHER LIABILITIES	(4)	113.609	2.318	115.927
IX.	FACTORING PAYABLES		-	-	-
X.	LEASE PAYABLES	(5)	-	-	-
10.1	Finance Lease Payables		-	-	-
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	78.682	78.682
11.1	Fair Value Hedge		-	78.682	78.682
11.2	Cash Flow Hedge		-	-	-
11.3	Hedge Of Net Investment In Foreign Operations		-	-	-
XII.	PROVISIONS	(7)	441.174	-	441.174
12.1	General Loan Loss Provisions		150.275	-	150.275
12.2	Restructuring Provisions		-	-	-
12.3	Reserve For Employee Benefits		10.316	-	10.316
12.4	Insurance Technical Reserves (Net)		-	-	-
12.5	Other Provisions		280.583	-	280.583
XIII.	TAX LIABILITY	(8)	51.990	-	51.990
13.1	Current Tax Liability		51.990	-	51.990
13.2	Deferred Tax Liability		-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(9)	-	-	-
14.1	Held For Sale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(10)	-	1.146.236	1.146.236
XVI.	SHAREHOLDERS' EQUITY		3.606.298	12.440	3.618.738
16.1	Paid-In Capital	(11)	2.400.000	-	2.400.000
16.2	Capital Reserves		15.078	12.440	27.518
16.2.1	Share Premium		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Value Increase Fund	(11)	(18.040)	12.440	(5.600)
16.2.4	Tangible Assets Revaluation Differences	(11)	32.571	-	32.571
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
16.3	Profit Reserves		573.403	-	573.403
16.3.1	Legal Reserves	(11)	238.854	-	238.854
16.3.2	Statutory Reserves		75.641	-	75.641
16.3.3	Extraordinary Reserves	(11)	255.988	-	255.988
16.3.4	Other Profit Reserves		2.920	-	2.920
16.4	Profit Or Loss		617.817	-	617.817
16.4.1	Prior Years' Profit/Loss		-	-	-
16.4.2	Current Year Profit/Loss		617.817	-	617.817
TOTAL LIABILITIES AND EQUITY			5.187.099	23.807.174	28.994.273

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 30 JUNE 2018

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

		Reviewed Current Period 30 June 2018			Audited Prior Period 31 December 2017			
		Section 5						
OFF BALANCE SHEET		Note III	TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		12.014.647	57.863.951	69.878.598	7.082.272	40.593.244	47.675.516
I.	GUARANTEES AND COLLATERALS	(1)	504.629	3.002.612	3.507.241	563.000	2.010.713	2.573.713
1.1	Letters of Guarantee		504.629	1.108.463	1.613.092	563.000	912.647	1.475.647
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		504.629	1.108.463	1.613.092	563.000	912.647	1.475.647
1.2	Bank Acceptances		-	10.596	10.596	-	18.763	18.763
1.2.1	Import Letter of Acceptance		-	10.596	10.596	-	18.763	18.763
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		-	1.883.553	1.883.553	-	1.079.303	1.079.303
1.3.1	Documentary Letters of Credit		-	1.883.553	1.883.553	-	1.079.303	1.079.303
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 Guarantess		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(1)	979.817	4.431.875	5.411.692	840.009	3.907.115	4.747.124
2.1	Irrevocable Commitments		388.022	666.248	1.054.270	434.140	325.439	759.579
2.1.1	Forward Asset Purchase and Sale Commitments		114.544	347.684	462.228	40.933	58.218	99.151
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	90.593	90.593	-	78.890	78.890
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		273.478	227.971	501.449	393.207	188.331	581.538
2.2	Revocable Commitments		591.795	3.765.627	4.357.422	405.869	3.581.676	3.987.545
2.2.1	Revocable Loan Granting Commitments		591.795	3.765.627	4.357.422	405.869	3.581.676	3.987.545
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	10.530.201	50.429.464	60.959.665	5.679.263	34.675.416	40.354.679
3.1	Derivative Financial Instruments for Hedging Purposes		-	16.007.200	16.007.200	-	10.582.050	10.582.050
3.1.1	Fair Value Hedge		-	16.007.200	16.007.200	-	10.582.050	10.582.050
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		10.530.201	34.422.264	44.952.465	5.679.263	24.093.366	29.772.629
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2.414.745	4.485.476	6.900.221	981.505	3.844.600	4.826.105
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.207.155	2.242.621	3.449.776	485.006	1.928.162	2.413.168
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.207.590	2.242.855	3.450.445	496.499	1.916.438	2.412.937
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		4.521.518	25.819.034	30.340.552	2.378.082	17.843.640	20.221.722
3.2.2.1	Foreign Currency Swap-Buy		897.725	6.321.404	7.219.129	576.866	2.996.840	3.573.706
3.2.2.2	Foreign Currency Swap-Sell		3.592.041	3.408.088	7.000.129	1.766.440	1.667.336	3.433.776
3.2.2.3	Interest Rate Swap-Buy		15.876	8.044.771	8.060.647	17.388	6.589.732	6.607.120
3.2.2.4	Interest Rate Swap-Sell		15.876	8.044.771	8.060.647	17.388	6.589.732	6.607.120
3.2.3	Foreign Currency, Interest Rate, and Securities Options		3.593.938	4.052.716	7.646.654	2.319.676	2.332.296	4.651.972
3.2.3.1	Foreign Currency Options-Buy		1.796.969	2.026.358	3.823.327	1.159.838	1.166.148	2.325.986
3.2.3.2	Foreign Currency Options-Sell		1.796.969	2.026.358	3.823.327	1.159.838	1.166.148	2.325.986
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		-	65.038	65.038	-	72.830	72.830
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		62.235.316	311.682.045	373.917.361	58.811.358	240.601.901	299.413.259
IV.	ITEMS HELD IN CUSTODY		171.683	309.332	481.015	345.091	243.801	588.892
4.1	Customers' Securities Held		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		65.886	308.368	374.254	40.935	243.801	284.736
4.3	Checks Received for Collection		-	-	-	-	-	-
4.4	Commercial Notes Received for Collection		-	964	964	-	-	-
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		105.797	-	105.797	304.156	-	304.156
V.	PLEDGES ITEMS		47.098.485	178.876.626	225.975.111	44.620.472	137.020.472	181.640.944
5.1	Marketable Securities		484.245	10.810.101	11.294.346	448.045	8.985.543	9.433.588
5.2	Guarantee Notes		100.136	2.876.062	2.976.198	108.232	2.361.726	2.469.958
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		2.239.749	47.086.881	49.326.630	1.662.623	36.518.097	38.180.720
5.6	Other Pledged Items		44.274.355	118.103.582	162.377.937	42.401.572	89.155.106	131.556.678
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED BILL OF EXCHANGE AND COLLATERALS		14.965.148	132.496.087	147.461.235	13.845.795	103.337.628	117.183.423
TOTAL OFF BALANCE SHEET ITEMS (A+B)			74.249.963	369.545.996	443.795.959	65.893.630	281.195.145	347.088.775

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018

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

			Reviewed Current Period 1 January 2018- 30 June 2018	Reviewed Current Period 1 April 2018- 30 June 2018
INCOME AND EXPENSE ITEMS		Section 5 Note IV		
I.	INTEREST INCOME	(1)	1,234,933	667,586
1.1	Interest on Loans		916,395	505,648
1.2	Interest Received from Reserve Deposits		4,386	2,373
1.3	Interest Received from Banks		18,231	6,436
1.4	Interest Received from Money Market Placements		51,601	25,043
1.5	Interest Received from Marketable Securities Portfolio		239,673	125,253
1.5.1	Fair Value through Profit or Loss		20	12
1.5.2	Fair Value Through other Comprehensive Income		153,401	81,906
1.5.3	Measured at Amortized Cost		86,252	43,335
1.6	Finance Lease Income		2,533	1,491
1.7	Other Interest Income		2,114	1,342
II.	INTEREST EXPENSES (-)	(2)	559,253	304,605
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		232,444	131,806
2.3	Interest on Money Market Borrowings		114,927	56,529
2.4	Interest on Securities Issued		211,403	116,011
2.5	Other Interest Expense		479	259
III.	NET INTEREST INCOME (I - II)		675,680	362,981
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		8,519	3,818
4.1	Fees and Commissions Received		12,014	5,643
4.1.1	Non-cash Loans		10,308	4,916
4.1.2	Other		1,706	727
4.2	Fees and Commissions Paid (-)		3,495	1,825
4.2.1	Non-cash Loans		476	238
4.2.2	Other		3,019	1,587
V.	PERSONNEL EXPENSES (-)	(7)	53,348	27,093
VI.	DIVIDEND INCOME	(3)	3,699	904
VII.	NET TRADING INCOME	(4)	(66,349)	(48,282)
7.1	Securities Trading Gains / (Losses)		1,333	244
7.2	Derivative Financial Instruments Gains / Losses		87,038	83,269
7.3	Foreign Exchange Gains / Losses (Net)		(154,720)	(131,795)
VIII.	OTHER OPERATING INCOME	(5)	151,638	70,669
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		719,839	362,997
X.	EXPECTED CREDIT LOSS (-)	(6)	242,236	148,434
XI.	OTHER OPERATING EXPENSES (-)	(7)	27,859	14,070
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		449,744	200,493
XIII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIV.	PROFIT / (LOSS) ON EQUITY METHOD		2,243	(6,266)
XV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XVI.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)		451,987	194,227
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	127,469	28,577
17.1	Provision for Current Income Taxes		63,511	27,750
17.2	Deferred Tax Income Effect (+)		90,093	(9,025)
17.3	Deferred Tax Expense Effect (-)		26,135	(9,852)
XVIII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	(9)	324,518	165,650
XIX.	INCOME ON DISCONTINUED OPERATIONS		-	-
19.1	Income on Assets Held for Sale		-	-
19.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
19.3	Income on Other Discontinued Operations		-	-
XX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
20.1	Loss from Assets Held for Sale		-	-
20.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3	Loss from Other Discontinued Operations		-	-
XXI.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)		-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1	Provision for Current Income Taxes		-	-
22.2	Deferred Tax Expense Effect (+)		-	-
22.3	Deferred Tax Income Effect (-)		-	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	(10)	324,518	165,650
Earning / (loss) per share			0,116	0,059

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018

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

			RESTATE Reviewed Prior Period 1 January 2017 – 30 June 2017	RESTATE Reviewed Prior Period 1 April 2017 – 30 June 2017
INCOME AND EXPENSE ITEMS		Section 5 Note IV		
I.	INTEREST INCOME	(1)	825.515	430.121
1.1	Interest on Loans		587.217	305.030
1.2	Interest on Reserve Requirements		2.284	1.351
1.3	Interest on Banks		14.439	9.710
1.4	Interest on Money Market Transactions		35.147	21.611
1.5	Interest on Marketable Securities Portfolio		185.108	91.703
1.5.1	Trading Financial Assets		344	111
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available-for-Sale Financial Assets		112.996	54.901
1.5.4	Held-to-Maturity Investments		71.768	36.691
1.6	Financial Lease Income		460	346
1.7	Other Interest Income		860	370
II.	INTEREST EXPENSE (-)	(2)	361.026	189.195
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		145.921	71.981
2.3	Interest Expense on Money Market Transactions		98.132	51.053
2.4	Interest on Securities Issued		116.484	65.931
2.5	Other Interest Expenses		489	230
III.	NET INTEREST INCOME (I - II)		464.489	240.926
IV.	NET FEES AND COMMISSIONS INCOME		5.829	3.599
4.1	Fees and Commissions Received		9.295	5.328
4.1.1	Non-Cash Loans		8.068	5.141
4.1.2	Other		1.227	187
4.2	Fees and Commissions Paid (-)		3.466	1.729
4.2.1	Non-Cash Loans (-)		369	235
4.2.2	Other (-)		3.097	1.494
V.	DIVIDEND INCOME	(3)	3.270	178
VI.	TRADING INCOME / (LOSS) (Net)	(4)	(24.089)	(23.041)
6.1	Trading Gains / (Losses) on Securities		2.352	1.871
6.2	Gains / (Losses) on Derivative Financial Transactions		(161.800)	(155.725)
6.3	Foreign Exchange Gains / (Losses)		135.359	130.813
VII.	OTHER OPERATING INCOME	(5)	1.488	(421)
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		450.987	221.241
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(33.994)	(12.893)
X.	OTHER OPERATING EXPENSES (-)	(7)	(67.328)	(33.239)
XI.	NET OPERATING INCOME / (LOSS) (VIII-IX-X)		349.665	175.109
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		14.541	9.100
XIV.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT / (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)		364.206	184.209
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	(73.062)	(39.268)
16.1	Current Tax Provision		(86.898)	(44.499)
16.2	Deferred Tax Provision		13.836	5.231
XVII.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XV±XVI)	(9)	291.144	144.941
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-Current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Income from Other Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-Current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Expenses for Other Discontinued Operations		-	-
XX.	PROFIT / LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	CURRENT PERIOD PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII.	NET INCOME / LOSS (XVII+XXII)	(10)	291.144	144.941
Earning / (loss) per share (Full Kurus)			0,121	0,060

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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

FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018

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

		Reviewed Current Period 1 January 2018 – 30 June 2018
INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I.	CURRENT PERIOD INCOME / LOSS	324.518
II.	OTHER COMPREHENSIVE INCOME	(143.380)
2.1	Not Reclassified Through Profit or Loss	-
2.1.1	Property and Equipment Revaluation Increase / Decrease	-
2.1.2	Intangible Assets Revaluation Increase / Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain / Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	Reclassified Through Profit or Loss	(143.380)
2.2.1	Foreign Currency Translation Differences	4.510
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(186.676)
2.2.3	Cash Flow Hedge Income / Loss	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	(2.123)
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	40.909
III.	TOTAL COMPREHENSIVE INCOME (I+II)	181.138

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

		RESTATE Reviewed Prior Period 1 January 2017 – 30 June 2017
INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	54.589
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCY	1.363
V.	GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)	-
VI.	GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion)	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS OF ERRORS	-
VIII.	OTHER PROFIT / LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	1.584
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(10.406)
X.	NET PROFIT / LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	47.130
XI.	CURRENT YEAR PROFIT / LOSS	291.144
11.1	Net Change in Fair Value of Marketable Securities (Recycled to Profit/Loss)	24
11.2	Reclassification and Recycling Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	-
11.3	Recycling Hedge of Net Investments in Foreign Operations to Income Statement	-
11.4	Other	291.120
XII.	TOTAL PROFIT / LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	338.274

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018

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

CHANGES IN SHAREHOLDER'S EQUITY	Section 5 Note V	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.	Shareholders' Equity Before Non- controlling Interest	Non- Controlling Interest	Total Shareholders' Equity
RESTATED																			
I. Prior Period – 30 June 2017																			
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
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	172.043	-	-	(14.144)	(14.523)	-	-	-	-	143.376	-	143.376
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	172.043	-	-	(14.144)	(14.523)	-	-	-	-	143.376	-	143.376
III. New balance (I+II)		2.050.000	777	-	-	213.923	75.641	278.443	2.920	-	462.301	(46.992)	34.702	-	-	-	3.071.715	-	3.071.715
Changes in the period																			
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	45.767	-	-	-	-	45.767	-	45.767
VI. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	1.363	-	-	-	-	1.363	-	1.363
XI. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		350.000	-	-	-	-	-	-	-	-	(350.000)	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	(14.144)	-	-	14.144	-	-	-	-	-	-	-	-
XIX. Period net income		-	-	-	-	-	-	-	-	291.144	-	-	-	-	-	-	291.144	-	291.144
XX. Profit distribution		-	-	-	-	24.931	-	8.713	-	-	(126.445)	-	-	-	-	-	(92.801)	-	(92.801)
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(92.801)	-	-	-	-	-	(92.801)	-	(92.801)
20.2 Transfers to reserves		-	-	-	-	24.931	-	8.713	-	-	(33.644)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		2.400.000	777	-	-	238.854	75.641	273.012	2.920	291.144	-	138	34.702	-	-	-	3.317.188	-	3.317.188

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018

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

Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss																			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss																		
CHANGES IN SHAREHOLDER'S EQUITY		Section 5 Note V	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity																			
Current Period – 30 June 2018																																					
I.	Prior Period End Balance		2,400,000	-	-	374	32,571	173	-	7,847	(32,745)	98,301	432,528	595,668	-	3,534,717	-	3,534,717																			
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	(79,003)	140,875	57,808	-	119,680	-	119,680																			
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	(79,003)	140,875	57,808	-	119,680	-	119,680																			
III.	Adjusted Beginning Balance (I-II)		2,400,000	-	-	374	32,571	173	-	7,847	(32,745)	19,298	573,403	653,476	-	3,654,397	-	3,654,397																			
IV.	Total Comprehensive Income		-	-	-	-	-	-	-	4,510	(145,767)	(2,123)	-	-	324,518	181,138	-	181,138																			
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
VI.	Capital Increase by Internal Sources		400,000	-	-	-	-	-	-	-	-	-	-	(400,000)	-	-	-	-																			
VII.	Effect of Inflation on Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
VIII.	Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
X.	Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	22,149	(22,149)	-	-	-	-																			
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	86,163	(195,668)	-	(109,505)	-	(109,505)																			
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109,865)	-	(109,865)	-	(109,865)																			
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86,163	(85,803)	-	360	-	360																			
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
Period-End Balance			2,800,000	-	-	374	32,571	173	-	12,357	(178,512)	17,175	681,715	35,659	324,518	3,726,030	-	3,726,030																			

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4.Foreign Currency Translation Differences

5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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 SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Reviewed Current Period 30 June 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		658.149
1.1.1 Interest Received		803.037
1.1.2 Interest Paid		(577.672)
1.1.3 Dividends Received		3.699
1.1.4 Fees and Commissions Received		12.014
1.1.5 Other Income		2.971
1.1.6 Collections from Previously Written off loans		-
1.1.7 Payments to Personnel and Service Suppliers		(51.392)
1.1.8 Taxes Paid		(80.121)
1.1.9 Others		545.613
1.2 Changes in Operating Assets and Liabilities		(1.483.520)
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		-
1.2.2 Net (Increase) (Decrease) in Due from Banks		-
1.2.3 Net (Increase) (Decrease) in Loans		(884.992)
1.2.4 Net (Increase) (Decrease) in Other Assets		(418.644)
1.2.5 Net (Increase) (Decrease) in Bank Deposits		-
1.2.6 Net (Increase) (Decrease) in Other Deposits		-
1.2.7 Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		49.958
1.2.9 Net (Increase) (Decrease) in Matured Payable		-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		(229.842)
I. Net Cash Provided by / (used in) Banking Operations		(825.371)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided by / (used in) Investing Activities		(179.386)
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(727)
2.4 Disposals of Property and Equipment		-
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(506.923)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		328.833
2.7 Purchase of Financial Assets Measured at Amortized Cost		-
2.8 Sale of Financial Assets Measured at Amortized Cost		-
2.9 Others		(569)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided by / (used in) Financing Activities		1.208.725
3.1 Cash Obtained From Funds Borrowed and Securities Issued		1.318.590
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Capital Increase		-
3.4 Dividends Paid		(109.865)
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		12.267
V. Net Increase / (Decrease) in Cash and Cash Equivalents		216.235
VI. Cash and Cash Equivalents at Beginning of the Period		20.176
VII. Cash and Cash Equivalents at End of the Period		236.411

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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 SIX-MONTH PERIOD THEN ENDED 30 JUNE 2018
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	Reviewed Prior Period 30 June 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		287.103
1.1.1 Interest Received		782.063
1.1.2 Interest Paid		(403.855)
1.1.3 Dividends Received		3.270
1.1.4 Fees and Commissions Received		9.295
1.1.5 Other Income		4.039
1.1.6 Collections from Previously Written off loans		199
1.1.7 Payments to Personnel and Service Suppliers		(44.945)
1.1.8 Taxes Paid		(47.593)
1.1.9 Others		(15.370)
1.2 Changes in Operating Assets and Liabilities		(1.940.745)
1.2.1 Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(297)
1.2.2 Net (Increase) (Decrease) in Due from Banks		-
1.2.3 Net (Increase) (Decrease) in Loans		-
1.2.4 Net (Increase) (Decrease) in Other Assets		(1.688.063)
1.2.5 Net (Increase) (Decrease) in Bank Deposits		(89.291)
1.2.6 Net (Increase) (Decrease) in Other Deposits		-
1.2.7 Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-
1.2.8 Net (Increase) (Decrease) in Funds Borrowed		(57.159)
1.2.9 Net (Increase) (Decrease) in Matured Payable		-
1.2.10 Net (Increase) (Decrease) in Other Liabilities		(105.935)
I. Net Cash Provided by / (used in) Banking Operations		(1.653.642)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided by / (used in) Investing Activities		464.037
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(882)
2.4 Disposals of Property and Equipment		122
2.5 Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(286.088)
2.6 Sale of Financial Assets at Fair Value through Other Comprehensive Income		751.258
2.7 Purchase of Financial Assets Measured at Amortized Cost		-
2.8 Sale of Financial Assets Measured at Amortized Cost		-
2.9 Others		(373)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided by / (used in) Financing Activities		984.199
3.1 Cash Obtained From Funds Borrowed and Securities Issued		1.077.000
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Capital Increase		-
3.4 Dividends Paid		(92.801)
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		12
V. Net Increase / (Decrease) in Cash and Cash Equivalents		(205.394)
VI. Cash and Cash Equivalents at Beginning of the Period		481.913
VII. Cash and Cash Equivalents at End of the Period		276.519

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatement for the year 2017 is related to the Bank's application of TAS 27 and is disclosed in Section Three, Note XXIV.1.

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY- 30 JUNE 2018
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated 14 March 2018 which include Turkish Accounting Standard 34 “Interim Financial Reporting” principles.

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.

Accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended 31 December 2017 except for the application of TFRS 9. TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 in lieu of TAS 39 Financial Instruments: “Accounting and Measurement” starting from 1 January 2018. TFRS 9 mainly sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets. TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. Accordingly, the Bank will continue to apply hedge accounting in accordance with TAS 39 in this context. The Bank explained the reflection effect of TFRS 9 in footnotes under Section Three, Note XXIV. Accounting policies and valuation principles used for the period of 2018 are presented in the footnotes, these accounting policies and valuation principles are explained in footnotes II to XXIV below. Explanations on prior period accounting policies that are not valid in the current period are included in footnotes under Section Three, Note XXV. The Bank also assessed the effect of TFRS 15 “Revenue from Contracts with Customers” standard.

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.”

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (continued)

I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents (continued)

Additional paragraph for convenience translation to English

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

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

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

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.

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 recognized 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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 amortized 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 fair value through other comprehensive income securities:

A great majority of foreign currency fair value through other comprehensive income 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:

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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. Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

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

IV. Explanations on associates and subsidiaries

In the unconsolidated financial statements, the financial associates and subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements".

In accordance with the Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" through the equity method, the carrying value of financial subsidiaries are accounted in the financial statements with respect to the Bank's share in these investments' net asset value. While the Bank's share on profits or losses of financial subsidiaries are accounted in the Bank's statement of profit or loss, the Bank's share in other comprehensive income of financial subsidiaries are accounted in the Bank's other comprehensive income statement. Non-financial subsidiaries and associates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

V. Explanations on interest income and expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected creditloss models and accordingly, the calculation of expected credit losses includes an interest amount.

Therefore, a reclassification is made between the accounts of “Expected Credit Losses” and “Interest Income From Loans” for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

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).

VI. Explanations on fees and commission income and expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets

Initial recognition of financial instruments

Initial recognition of financial instruments the Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

The bank tested all financial assets within the scope of TFRS 9 "whether the contractual cash flows arise solely from interest and capitals" and assessed the asset classification within the business model.

Assessment of business model

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business models are divided into three categories.

Business model whose aimed to hold assets in order to collect contractual cash flows:

This is a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Receivables from Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

Business model aimed to collect contractual cash flows and sell financial assets:

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at fair value through other comprehensive income are assessed in this business model.

Other business models:

Financial assets are measured at fair value through profit or loss in case they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss and derivative financial assets are assessed in this business model.

Measurement categories of financial assets and liabilities

Financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

a. Financial assets at the fair value through profit or loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as “interest income” in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under “trading account income/losses” in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under “trading account income/losses”.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income:

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

c. Financial Assets Measured at Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement. In the “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Bank, there are Consumer Price Indexed (CPI) Bonds.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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. 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.

d. Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged 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.

All loans of the bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of " All cash flows from contracts are made only by interest and principal" during the transition period.

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.

VIII. Explanations on expected credit losses

As of 1 January 2018, the Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income , loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. TFRS 9 impairment requirements is not eligible for equity instruments. At each reporting date, whether the credit risk on a financial instrument has increased significantly since initial recognition is assessed. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on expected credit losses (continued)

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration. When determining the significant increase in bank credit risk, The Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

IX. 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.

X. Derecognition of financial instruments

a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

X. Derecognition of financial instruments (continued)

When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

b) Derecognition of financial assets without any change in contractual terms

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

XI. 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 assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets at measured at amortized costs 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. 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 inthe sale process is duue to the events and circumstances occured 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 seperately in the income statement.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIII. 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.

XIV. 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.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. 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

XV. 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.

XVI. 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 recognized in the financial statements of the period in which the change occurred. Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVII. 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.

XVIII. 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. 22% is used in the calculation of the corporate tax. In accordance with the Temporary Article 10 added to the Corporate Tax Law, 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.

As of 1 January 2018, the Bank started calculating deferred tax for the expected credit losses for Stage 1 and Stage 2 with the transition to TFRS 9.

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. 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.

XIX. 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 amortized 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.

XX. Explanations on share certificates issued

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. The increase in paid-in capital was approved by the BRSA on 26 April 2018 and disclosed in the dated 7 June 2018 and numbered 9605 Turkish Trade Registry Gazette.

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.

XXI. 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.

XXII. Explanations on government incentives

The Bank does not use government incentives.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. 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	316.925	358.755	-	675.680
Net Fees and Commission Income	9.742	(1.223)	-	8.519
Other Income	-	-	157.580	157.580
Other Expense	(181.020)	(77.969)	(130.803)	(389.792)
Profit Before Tax	145.647	279.563	26.777	451.987
Tax Provision				(127.469)
Net Profit				324.518
Current Period				
Segment Assets	26.829.816	6.874.345	754.555	34.458.716
Investment in Associates and Subsidiaries	-	-	550.664	550.664
Total Assets	26.829.816	6.874.345	1.305.219	35.009.380
Segment Liabilities	29.837.202	1.025.165	420.983	31.283.350
Shareholders' Equity	-	-	3.726.030	3.726.030
Total Liabilities	29.837.202	1.025.165	4.147.013	35.009.380

Prior Period (1)	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	231.656	232.833	-	464.489
Net Fees and Commission Income	7.745	(1.875)	(41)	5.829
Other Income	199	-	19.100	19.299
Other Expense	(32.370)	(32.250)	(60.791)	(125.411)
Profit Before Tax	207.230	198.708	(41.732)	364.206
Tax Provision				(73.062)
Net Profit				291.144
Prior Period (2)				
Segment Assets	22.294.423	5.777.358	371.947	28.443.728
Investment in Associates and Subsidiaries	-	-	550.545	550.545
Total Assets	22.294.423	5.777.358	922.492	28.994.273
Segment Liabilities	23.555.862	1.155.638	664.035	25.375.535
Shareholders' Equity	-	-	3.618.738	3.618.738
Total Liabilities	23.555.862	1.155.638	4.282.773	28.994.273

(1) It includes information for 30 June 2017.

(2) It includes information for 31 December 2017.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIV. Explanations on other matters

1. Changes Related to Previous Period Financial Statements

Effects of the change of TAS 27

According to Communiqué published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements” an option was recognized to account to cost of assets investments of subsidiaries, joint ventures and associates while applying TFRS 9 “Financial Instruments” standart or Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method.

The related accounting policy is accounted for in accordance with TAS 39 on associates and subsidiaries in unconsolidated financial statements before the amendment. According to TAS 39, subsidiaries that have a quoted market price in an active market and whose fair values can be reliably measured were carried at a fair value. Subsidiaries and associates that do not have a quoted market price in an active market and whose fair values cannot be reliably measured were carried at cost, less provision for impairment.

Due to the change in accounting policy, previous year financial statements have been restated in accordance with “TAS 8 Accounting Standard Regarding Accounting Policies, Changes in Accounting Estimates and Mistakes”.

The effect of the TAS 27 adjusting entries on the prior period financial statements is as followed:

31 December 2017	Previously Reported	Adjustment Effect	Restated
Share certificates	68.552	(21.672)	46.880
Investment in associates (Net)	308.497	35.676	344.173
Investment in subsidiaries (Net)	136.355	70.017	206.372
Total Assets	28.910.252	84.021	28.994.273
Marketable securities value increase fund	73.403	(79.003)	(5.600)
Extraordinary reserves	115.113	140.875	255.988
Period net income / loss	595.668	22.149	617.817
Total Liabilities	28.910.252	84.021	28.994.273
Dividend income	18.001	(14.731)	3.270
Profit / (loss) on equity method	-	36.880	36.880
Period net income / loss	595.668	22.149	617.817

31 December 2016	Previously Reported	Adjustment Effect	Restated
Share certificates	48.673	(17.644)	31.029
Investment in associates (Net)	222.908	85.677	308.585
Investment in subsidiaries (Net)	129.363	75.343	204.706
Total Assets	24.001.573	143.376	24.144.949
Marketable securities value increase fund	(32.469)	(14.523)	(46.992)
Extraordinary reserves	106.400	172.043	278.443
Period net income / loss	476.445	(14.144)	462.301
Total Liabilities	24.001.573	143.376	24.144.949
Dividend income	30.102	(27.604)	2.498
Profit / (loss) on equity method	-	13.460	13.460
Period net income / loss	476.445	(14.144)	462.301

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIV. Explanations on other matters (continued)

1. Changes Related to Previous Period Financial Statements (continued)

30 June 2017	Previously Reported	Adjustment Effect	Restated
Share certificates	58.000	(17.901)	40.099
Investment in associates (Net)	251.252	81.340	332.592
Investment in subsidiaries (Net)	126.797	72.185	198.982
Total Assets	25.793.647	135.624	25.929.271
Marketable securities value increase fund	22.223	(22.085)	138
Extraordinary reserves	115.113	157.899	273.012
Period net income / loss	291.334	(190)	291.144
Total Liabilities	25.793.647	135.624	25.929.271
Dividend income	18.001	(14.731)	3.270
Profit / (loss) on equity method	-	14.541	14.541
Period net income / loss	291.334	(190)	291.144

2. Disclosures of TFRS 9 Financial Instruments

TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 has been started to apply in lieu of TAS 39 Financial Instruments: “Accounting and Measurement” starting from 1 January 2018. TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

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SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIV. Explanations on other matters (continued)

a) Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

The table below shows the reconciliation of the provision for impairment of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Book Value Before TFRS 9	Remeasurements	Book Value Before TFRS 9
	31 December 2017	(6)	1 January 2018
Loans	166.592	111.703	278.295
Stage 1	107.597	41.109	148.706
Stage 2	9.473	72.091	81.564
Stage 3	49.522	(1.497)	48.025
Financial Assets (1)	3.125	527	3.652
Other Assets (2)	1.809	(1.084)	725
Other Receivables as Loan (3)	25.824	(25.824)	-
Non-Cash Loans (4)	2.446	1.769	4.215
Stage 1	2.439	1.760	4.199
Stage 2	7	9	16
Other Provision (5)	90.000	(90.000)	-
Total	289.796	(2.909)	286.887

(1) Within the scope of TFRS 9, provisions include provisions for Financial Assets Measured at Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets

(2) Within the scope of TFRS 9, provisions include provisions for Other Assets.

(3) Before TFRS 9, provisions include provisions for transaction as loan as described in the article 48 of Banking Law No 5411 .

(4) According to TFRS 9 articles, expected credit loss for non-cash loans is presented "Other Provision" in liabilities.

(5) As of 31 December 2017, the provision amounting to TL 90.000 for the risks related to the loan portfolio is recorded as income as of 1 January 2018. This provision was included in the first group as of 1 January 2018 and is allocated as an additional general provision for customers who may be subject to the second group.

(6) As of 1 January 2018 deferred tax amounting to TL 32.750 is calculated for general loan loss provision.

b) Effects on equity with TFRS 9 transition

The amounting to TL 2.909 difference which is an income between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Prior years' income/losses" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 32.750 have been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior years' income/losses" in shareholders' equity.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXV. Explanations on prior period accounting policies not valid for the current period

"TFRS 9 Financial Instruments" has been started applying instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below.

1. Explanations on financial assets

The Bank categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

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.

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXV. Explanations on prior period accounting policies not valid for the current period (continued)

1. Explanations on financial assets

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.

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.

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.

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXV. Explanations on prior period accounting policies not valid for the current period (continued)

1. Explanations on financial assets (continued)

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.

2. 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”.

3. 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.

4. 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.

5. 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXV. Explanations on prior period accounting policies not valid for the current period (continued)

6. 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.

7. Explanations on taxation

Deferred tax asset had not been provided over provisions for general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004. Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018. Deferred tax calculation is not made for free provisions. Deferred tax, related to items recognized directly in equity is also credited or charged directly to equity.

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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 30 June 2018, the capital adequacy ratio of Bank has been calculated as 15,15%. (31 December 2017:17,05%.)

	Current Period	Prior Period
CORE EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2.800.374	2.400.374
Share premiums	-	-
Reserves	681.715	432.528
Other comprehensive income according to TAS	145.091	198.640
Profit	360.177	595.668
Current Period Profit	324.518	595.668
Prior Period Profit	35.659	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Core Equity Tier 1 Capital Before Deductions	3.987.357	3.627.210
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	261.500	92.666
Leasehold improvements on operational leases	4.333	5.032
Goodwill (net of related tax liability)	-	-
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	1.749	1.312
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	173
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	13.831	-
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. 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	281.586	99.183
Core Equity Tier I Capital	3.705.771	3.528.027
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 I capital	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	328
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
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	3.705.771	3.527.699
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	1.364.250	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)	309.722	150.275
Tier II Capital Before Deductions	1.673.972	1.276.025
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 (-)	-	-

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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	1.673.972	1.276.025
Total Capital (The sum of Tier I Capital and Tier II Capital)	5.379.743	4.803.724
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	-	-
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)	5.379.743	4.803.724
Total Risk Weighted Assets	35.498.783	28.175.215
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	10,44	12,52
Tier I Capital Adequacy Ratio (%)	10,44	12,52
Capital Adequacy Ratio (%)	15,15	17,05
BUFFERS		
Total buffer requirement (%)	1,883	1,255
Capital conservation buffer requirement (%)	1,875	1,250
Bank specific counter-cyclical buffer requirement (%)	0,008	0,005
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	5,94	8,02
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	371.960	328.237
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	309.722	150.275
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	309.722	150.275
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.

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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 recognized 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 / semiannually coupon payment, principal payment at the maturity
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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on 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"		
30 June 2018	4,5475	5,2978
<u>Prior Five Workdays:</u>		
29 June 2018	4,5475	5,2978
28 June 2018	4,5975	5,3097
27 June 2018	4,6000	5,3567
26 June 2018	4,6350	5,4313
25 June 2018	4,5725	5,3242

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Bank before the reporting date are full TL 4,5813 and 5,3590 respectively.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to currency risk (continued)

Information on the Bank's foreign currency risk:

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	406.340	503.379	64.583	974.302
Banks	7.083	122.023	477	129.583
Financial Assets at Fair Value Through Profit or Loss (1)	36.080	74.146	1.759	111.985
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	66.133	994.454	-	1.060.587
Loans (2)	11.446.751	12.666.769	-	24.113.520
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	236.897	-	236.897
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	166.412	472.019	-	638.431
Total Assets	12.128.799	15.069.687	66.819	27.265.305
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	156.869	39.260	-	196.129
Funds Provided From Other Financial Institutions	10.742.837	11.476.442	-	22.219.279
Marketable Securities Issued (4)	-	7.495.972	-	7.495.972
Miscellaneous Payables	7.792	10.313	30	18.135
Derivative Financial Liabilities for Hedging Purposes (5)	-	227.368	-	227.368
Other Liabilities (6)	34.547	54.412	1.090	90.049
Total Liabilities	10.942.045	19.303.767	1.120	30.246.932
Net Balance Sheet Position	1.186.754	(4.234.080)	65.699	(2.981.627)
Net Off-Balance Sheet Position	(1.186.518)	4.097.484	(60.838)	2.850.128
Financial Derivative Assets	2.000.664	8.410.640	305.385	10.716.689
Financial Derivative Liabilities	(3.187.182)	(4.313.156)	(366.223)	(7.866.561)
Non-Cash Loans (7)	1.483.209	1.461.334	58.069	3.002.612
Prior Period				
Total Assets	9.646.190	12.775.650	75.794	22.497.634
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 (7)	883.016	1.125.806	1.891	2.010.713

(1) Includes derivative financial assets amounting to TL 245.483. Exchange rate differences arising from derivative transactions amounting to TL 133.498 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(2) Loans include TL 2.036.421 foreign currency indexed loans.

(3) Leasing receivables amounting to TL 117.742 has classified in line of "Other Assets". Forward foreign exchange purchase transaction rediscounts amounting to TL 564, prepaid expenses amounting to TL 981, 12 months expected credit loss for other assets amounting to TL (296) are not included other assets.

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

(5) Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement.

(6) Marketable securities value increase fund amounting to TL (66.265) and exchange rate differences arising from derivative transactions amounting to TL 127.609 and forward foreign exchange purchase transaction rediscounts amounting to TL 577, and other provisions amounting to TL 6.822 have not been included in "Other Liabilities".

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk

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

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

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

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

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	541.031	-	-	-	-	470.795	1.011.826
Banks (2)	151.430	-	-	-	-	43.565	194.995
Financial Assets at Fair Value Through Profit and Loss (3)	230.009	327.878	177.733	77.829	-	-	813.449
Money Market Placements (2)	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (2)	224.069	188.508	984.609	1.597.746	224.343	53.328	3.272.603
Loans (2)	3.625.889	7.926.774	8.979.667	5.272.328	908.084	-	26.712.742
Financial Assets Measured at Amortized Cost (2)	211.059	756.552	430.481	-	236.715	-	1.634.807
Other Assets (2)	3.171	-	11.146	88.666	14.703	1.251.272	1.368.958
Total Assets	4.986.658	9.199.712	10.583.636	7.036.569	1.383.845	1.818.960	35.009.380
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	257.351	89	40.545	-	-	-	297.985
Miscellaneous Payables	-	-	-	-	-	23.794	23.794
Marketable Securities Issued (4)	-	-	-	6.131.722	1.364.250	-	7.495.972
Funds Provided from Other Financial Institutions	4.222.828	8.184.731	4.616.121	3.391.848	1.925.702	-	22.341.230
Other Liabilities (5)	216.130	214.827	317.515	63.466	-	4.038.461	4.850.399
Total Liabilities	4.696.309	8.399.647	4.974.181	9.587.036	3.289.952	4.062.255	35.009.380
Balance Sheet Long Position	290.349	800.065	5.609.455	-	-	-	6.699.869
Balance Sheet Short Position	-	-	-	(2.550.467)	(1.906.107)	(2.243.295)	(6.699.869)
Off-Balance Sheet Long Position	-	-	-	7.505.277	500.224	-	8.005.501
Off-Balance Sheet Short Position	(1.550.484)	(394.702)	(5.907.026)	-	-	-	(7.852.212)
Total Position	(1.260.135)	405.363	(297.571)	4.954.810	(1.405.883)	(2.243.295)	153.289

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

(2) Cash and balances with the Central Bank of Turkey amounting TL 315, Banks amounting to TL 16, financial assets at fair value through other comprehensive income amounting to TL 402, Loans amounting to TL 298.796, financial asset measured at amortized cost amounting to TL 1.260, and financial lease receivables in other assets amounting to TL 668 are shown with 12 months expected credit loss by offsetting.

(3) Includes derivative financial assets amounting to TL 813.449 in financial statement.

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

(5) Borrower funds amounting to TL 21.302 are presented in "Other Liabilities" within 1-month maturity column.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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	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	46.880	3.065.172
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	922.260	985.670
Total Assets	4.174.775	7.674.814	9.647.310	4.416.388	1.678.398	1.402.588	28.994.273
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	779.112	87	34.122	-	-	-	813.321
Miscellaneous Payables	-	-	-	-	-	54.944	54.944
Marketable Securities Issued (2)	-	-	-	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 (3)	44.825	128.938	98.428	46.791	5.004	4.227.829	4.551.815
Total Liabilities	4.552.600	6.606.046	4.101.827	6.136.557	3.314.470	4.282.773	28.994.273
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, deferred tax asset, tangible and intangible assets, other assets, other miscellaneous liabilities 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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	1,59	-	3,83
Banks	-	1,85	-	19,18
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5,60	4,49	-	13,26
Loans	4,23	6,92	-	17,71
Financial Assets Measured at Amortized Cost	-	6,00	-	12,61
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,65	1,00	-	15,54
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (1)	-	5,71	-	-
Borrower Funds	0,75	1,00	-	9,00
Funds Provided From Other Financial Institutions	0,98	3,00	-	9,72

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to interest rate risk (continued)

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

	Euro	US Dollar	Yen	TL
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	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 (1)	-	5,67	-	-
Borrower Funds	0,25	0,50	-	8,00
Funds Provided From Other Financial Institutions	0,99	2,37	-	9,00

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk

The Bank is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). The Bank classifies its share certificate investments both as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and net profit/loss of the Bank is not affected unless the Bank sells share certificates in financial assets at fair value through profit or loss portfolio.

Equity shares risk due from banking book

The table 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	341.389	-	594.438
Quoted	341.389	-	594.438
Investment in Shares-Grade B	93.202	-	64.820
Quoted	93.202	-	64.820

Prior Period	Comparison		
Share Certificate Investments	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	317.839	-	313.164
Quoted	317.839	-	313.164
Investment in Shares-Grade B	125.017	-	77.891
Quoted	125.017	-	77.891

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to stock position risk (continued)

Equity shares risk due from banking book (continued)

Current Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	96.184	96.184	-	-	-
Other Share Certificates	-	56.678	56.678	-	-	-
Total	-	152.862	152.862	-	-	-

Prior Period	Realized	Revaluation Value Increases		Unrealized Gains and Losses		
Portfolio	Revenues and Losses in the Period	Total	Included in Core Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	75.054	75.054	-	-	-
Other Share Certificates	-	12.634	12.634	-	-	-
Total	-	87.688	87.688	-	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. 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.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. 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 (TL), 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, cash flow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios, cash flow 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.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. 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 unconsolidated foreign currency and total liquidity coverage ratios are shown below:

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets	-	-	1.909.100	1.086.328
CASH OUTFLOWS				
2 Retail and Customers Deposits	39	7	4	1
3 Stable deposits	-	-	-	-
4 Less stable deposits	39	7	4	1
5 Unsecured Funding other than Retail and Small Business, Customers Deposits	1.799.633	1.310.542	1.466.240	1.025.857
6 Operational deposits	53.138	48.458	13.284	12.114
7 Non-Operational Deposits	-	-	-	-
8 Other Unsecured Funding	1.746.495	1.262.084	1.452.956	1.013.743
9 Secured funding	-	-	-	-
10 Other Cash Outflows	118.221	448.624	118.221	448.624
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	118.221	448.624	118.221	448.624
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	9.989.727	7.353.459	499.486	367.673
15 Other irrevocable or conditionally revocable commitments	8.298.208	6.966.866	1.180.456	933.493
16 TOTAL CASH OUTFLOWS			3.264.407	2.775.648
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	3.450.652	1.250.520	2.809.844	927.788
19 Other contractual cash inflows	118.804	1.809.906	118.804	1.809.906
20 TOTAL CASH INFLOWS	3.569.456	3.060.426	2.928.648	2.737.694
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			1.909.100	1.086.328
22 TOTAL NET CASH OUTFLOWS			816.102	693.912
23 LIQUIDITY COVERAGE RATIO (%)			234	157

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

2. Liquidity Coverage Ratio (continued)

	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
Prior Period				
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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

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

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 66%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 31%. 3% 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.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (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	470.795	541.031	-	-	-	-	-	1.011.826
Banks	43.565	151.430	-	-	-	-	-	194.995
Financial Assets at Fair Value Through Profit and Loss (3)	-	59.658	52.548	479.382	88.794	133.067	-	813.449
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	86.082	117.767	379.524	2.359.108	276.794	53.328	3.272.603
Loans	-	950.666	1.642.956	5.190.796	13.214.943	5.713.381	-	26.712.742
Financial Assets Measured at Amortized Cost	-	-	-	33.312	1.010.036	591.459	-	1.634.807
Other Assets	-	3.171	-	11.146	88.666	14.703	1.251.272	1.368.958
Total Assets	514.360	1.792.038	1.813.271	6.094.160	16.761.547	6.729.404	1.304.600	35.009.380
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	1.558.932	575.860	1.922.897	9.499.363	8.784.178	-	22.341.230
Money Market Borrowings	-	257.351	89	40.545	-	-	-	297.985
Marketable Securities Issued (4)	-	-	-	-	6.131.722	1.364.250	-	7.495.972
Miscellaneous Payables	-	-	-	-	-	-	23.794	23.794
Other Liabilities (5)	-	128.781	58.177	225.538	288.846	110.596	4.038.461	4.850.399
Total Liabilities	-	1.945.064	634.126	2.188.980	15.919.931	10.259.024	4.062.255	35.009.380
Liquidity Gap	514.360	(153.026)	1.179.145	3.905.180	841.616	(3.529.620)	(2.757.655)	-
Net Off-balance sheet Position	-	(56.377)	(9.104)	1.254	206.662	10.854	-	153.289
Financial Derivative Assets	-	5.127.983	1.702.886	4.124.852	13.112.577	6.488.179	-	30.556.477
Financial Derivative Liabilities	-	5.184.360	1.711.990	4.123.598	12.905.915	6.477.325	-	30.403.188
Non-cash Loans (6)	-	1.346	14.505	1.154.130	1.327.656	982.052	27.552	3.507.241
Prior Period								
Total Assets	433.448	1.293.700	1.438.667	5.219.085	13.195.061	6.445.172	969.140	28.994.273
Total Liabilities	-	1.043.497	383.221	3.006.161	11.518.429	8.760.192	4.282.773	28.994.273
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 (6)	-	46.294	268.206	843.606	621.648	771.147	22.812	2.573.713

(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) It represents net off amounts with 12 months expected credit loss.

(3) Includes derivative financial assets amounting to TL 813.449 in financial statement.

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

(5) Borrower funds amounting to TL 21.302 are presented in "Other Liabilities" within 1-month maturity column.

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to leverage ratio

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

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 30 June 2018, leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,50% (31 December 2017: 10,36%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets are increased by 16,55% 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)	33.852.375	28.964.409
2	(Assets deducted from Core Capital)	(222.544)	(110.313)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	33.629.831	28.854.096
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	452.755	360.058
5	Potential credit risk amount of derivative financial assets and credit derivatives	365.630	253.692
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	818.385	613.750
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	535.292	507.688
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)	535.292	507.688
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	7.885.052	7.205.248
11	(Correction amount due to multiplication with credit conversion rates)	(3.814.077)	(3.581.505)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	4.070.975	3.623.743
	Capital and total risk		
13	Core Capital	3.708.829	3.480.315
14	Total risk amount (sum of lines 3, 6, 9 and 12)	39.054.483	33.599.277
	Leverage ratio		
15	Leverage ratio	9,50%	10,36%

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. 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.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. 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)	31.291.506	25.960.821	2.503.320
2	Standardised approach	31.291.506	25.960.821	2.503.320
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	1.327.064	805.591	106.165
5	Standardised approach for counterparty credit risk	1.327.064	805.591	106.165
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	411.025	187.713	32.882
17	Standardised approach	411.025	187.713	32.882
18	Internal model approaches	-	-	-
19	Operational risk	1.539.288	1.221.150	123.143
20	Basic indicator approach	1.539.288	1.221.150	123.143
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	929.900	-	74.392
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	35.498.783	28.175.275	2.839.902

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

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	520.176	29.544.790	424.031	29.640.935
2	Debt securities	-	5.055.690	199.953	4.855.737
3	Off-balance sheet exposures	2.964	8.924.622	8.653	8.918.933
4	Total	523.140	43.525.102	632.637	43.415.605

		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	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

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	50.688
2	Loans and debt securities that have defaulted since the last reporting period	472.452
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	523.140

Prior 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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Credit risk mitigation techniques - Standard approach

	Current Period	Exposures unsecured: value in accordance with TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	28.133.884	1.257.815	1.092.282	249.236	202.960	-	-
2	Debt securities	4.855.737	-	-	-	-	-	-
3	Total	32.989.621	1.257.815	1.092.282	249.236	202.960	-	-
4	Of which defaulted	520.176	-	-	-	-	-	-

	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	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	-	-	-	-	-	-

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VII. Explanations related to risk management (continued)

Credit risk mitigation techniques - Standard approach (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
1	Exposures to sovereigns and their central banks	5.748.831	280.333	5.951.791	56.067	1.305.865	22%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and noncommercial entities	-	13.018	-	2.604	2.604	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	1.303.966	447.675	1.303.966	15.058	894.360	68%
7	Exposures to corporates	25.115.820	19.382.010	24.912.856	3.152.886	27.524.818	98%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential real estate property	-	-	-	-	-	-
10	Exposures secured by commercial real estate property	1.092.282	64.835	1.092.282	64.835	578.558	50%
11	Past due receivables	520.176	-	396.280	-	594.419	150%
12	Exposures in higher-risk categories	-	57.034	-	1.119	1.678	150%
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	125.430	462.228	125.430	89.752	170.995	79%
17	Equity Investments	590.168	-	590.168	-	1.148.108	195%
18	Total	34.496.673	20.707.133	34.372.774	3.382.320	32.221.405	85%

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VII. Explanations related to risk management (continued)

Credit risk mitigation techniques - Standard approach (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
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%

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Standart Approach - Exposures by asset classes and risk weights

	Current Period	Risk Groups/ Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Other	Total Risk Amount
1		Exposures to sovereigns and their central banks	4.701.993	-	-	-	-	1.305.865	-	-	-	-	6.007.858
2		Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3		Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	2.604	-	-	-	-	2.604
4		Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5		Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6		Exposures to banks and securities firms	-	-	521.524	14.887	-	782.612	-	-	-	-	1.319.024
7		Exposures to corporates	-	-	159.901	826.013	-	27.079.829	-	-	-	-	28.065.743
8		Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9		Exposures secured by residential real estate property	-	-	-	-	-	-	-	-	-	-	-
10		Exposures secured by commercial real estate property	-	-	-	1.157.117	-	-	-	-	-	-	1.157.117
11		Past due receivables	-	-	-	-	-	396.280	-	-	-	-	396.280
12		Exposures in higher-risk categories	-	-	-	-	-	1.119	-	-	-	-	1.119
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		Equity investments	-	-	-	-	-	218.208	-	-	371.960	-	590.168
17		Other exposures	44.187	-	-	-	-	170.995	-	-	-	-	215.182
18		Total	4.746.180	-	681.425	1.998.017	-	29.560.113	397.399	-	371.960	-	37.755.094

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VII. Explanations related to risk management (continued)

Standart Approach - Exposures by asset classes and risk weights

	Prior Period	Risk Groups/ Risk Weight	0%	10%	20%	50% Secured by Real Estate Property	75%	100%	150%	200%	250%	Other	Total Risk Amount
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 residential real estate property	-	-	-	987.801	-	-	-	-	-	-	987.801
10		Exposures secured by commercial real estate property	-	-	-	-	-	-	-	-	-	-	-
11		Past due receivables	-	-	-	292	-	-	-	-	-	-	292
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		Equity investments	-	-	-	-	-	513.404	-	-	-	-	513.404
17		Other exposures	383	-	-	-	-	220.732	-	-	-	-	221.115
18		Total	4.231.281	-	352.227	1.380.760	-	25.199.994	-	-	-	-	31.164.262

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Analysis of counterparty credit risk exposure by approach

	Current 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)	813.432	434.208	-	-	1.247.640	685.359
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)	-	-	-	-	442.035	295.633
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	980.992

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

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)	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

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	1.247.640	346.072
4	Total subject to the CVA capital charge	1.247.640	346.072

	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	590.533	202.064
4	Total subject to the CVA capital charge	590.533	202.064

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (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	490	-	-	-	-	-	-	-	490
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.068	-	-	1.068
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	303.419	929.942	-	1.365	-	-	1.234.726
Exposures to corporates	-	-	-	974	-	448.864	-	-	449.838
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	-	-	-	-	-	3.556	-	-	3.556
Other assets	-	-	-	-	-	-	-	-	-
Total	490	-	303.419	930.916	-	454.853	-	-	1.689.678

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Counterparty credit risk exposures (CCR) 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	-	-	-	-	-	300	-	-	300
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and noncommercial entities	-	-	-	-	-	1.626	-	-	1.626
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and securities firms	-	-	173.741	601.314	-	98	-	-	775.153
Exposures to corporates	-	-	-	2.269	-	262.701	-	-	264.970
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	2.261	-	-	2.261
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	173.741	603.583	-	266.986	-	-	1.044.310

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

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to risk management (continued)

Collaterals used for CCR

Current Period	Collaterals received		Collaterals given		Collaterals received	Collaterals given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	223.806	-
Cash – foreign currency	-	-	-	-	805.101	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.028.907	-

Prior 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	-

Market Risk-standard approach

		Risk Weighted Amount (RWA)	
		Current Period	Prior Period
	Outright products	-	-
1	Interest rate risk (general and specific)	210.725	141.363
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	200.300	46.350
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	411.025	187.713

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20	-	20	-
Balances with the Central Bank of Turkey	37.819	974.302	10.571	836.540
Other	-	-	-	-
Total	37.839	974.302	10.591	836.540

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	37.819	5.960	10.571	4.862
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	968.342	-	831.678
Total	37.819	974.302	10.571	836.540

(*) 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 30 June 2018 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	Reserve Ratio
	If the fund borrowed Before 28.08.2015	If the fund borrowed After 28.08.2015
Other liabilities until 1 year maturity (1 year included)	19	24
Other liabilities until 2 year maturity (2 year included)	13	19
Other liabilities until 3 year maturity (3 year included)	7	14
Other liabilities until 5 year maturity (5 year included)	6	6
Other liabilities more than 5 year maturity	5	4

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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 2017: None).

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 2017: None).

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

Held for Trading Financial Derivative Instruments (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	102.804	27.128	14.734	7.175
Swap Transactions	465.162	146.637	179.366	82.997
Futures Transactions	-	-	-	-
Options	-	71.718	-	42.516
Other	-	-	-	-
Total	567.966	245.483	194.100	132.688

(1) Positive differences from derivative assets for trading were shown at "Financial Assets Fair Value Through Profit/Loss" line account at prior periods. As a result of TFRS 9 adoption at current period, this difference has presented in "Derivative Financial Assets" line.

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 30 June 2018 is TL 352.028 and the average rates are between 2020 and 2022.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	65.428	88.686	419	1.897
Foreign	-	40.897	-	4.136
Branches and head office abroad	-	-	-	-
Total	65.428	129.583	419	6.033

3.b Information on foreign banks:

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

4. Information on financial assets at fair value through other comprehensive income

4.a.1.1 Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TL	FC
Government bonds	99.005	122.199
Treasury bills	-	-
Other government debt securities	-	-
Bank bonds and bank guaranteed bonds	-	-
Asset backed securities	-	-
Other	-	-
Total	99.005	122.199

4.a.1.2 Available-for-sale financial assets subject to repurchase agreements:

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

4. Information on financial assets at fair value through other comprehensive income (continued)

4.a.2.1 Information on financial assets at fair value through other comprehensive income given as collateral or blockage:

As of 30 June 2018, all financial assets at fair value through other comprehensive income given as collateral comprise of financial assets issued by the T.R. Undersecretariat of Treasury. The carrying value of those assets is TL 1.184.467.

	Current Period	
	TL	FC
Share certificates	-	-
Bond, treasury bill and similar investment securities	399.391	785.076
Other	-	-
Total	399.391	785.076

4.a.2.2 Information on available-for-sale financial assets given as collateral or blockage:

As of 31 December 2017, 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.

	Prior Period	
	TL	FC
Share certificates	-	-
Bond, treasury bill and similar investment securities	603.852	785.440
Other	-	-
Total	603.852	785.440

4.b.1 Major types of financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income comprised of government bonds 61,95%, Eurobonds 31,29% and shares and other securities 6,77%.

4.b.2 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%.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

4. Information on financial assets at fair value through other comprehensive income (continued)

4.c.1 Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	3.417.962
Quoted on a stock exchange	2.309.291
Unquoted	1.108.671
Share certificates	59.539
Quoted on a stock exchange	8.879
Unquoted	50.660
Other Impairment provision(-)	(204.496)
Total	3.273.005

The net book value of unquoted financial assets at fair value through other comprehensive income share certificates is TL 45.773.

4.c.1 Information on on available for sale financial assets:

	Prior Period
Debt securities	3.066.387
Quoted on a stock exchange	2.039.864
Unquoted	1.026.523
Share certificates	53.261
Quoted on a stock exchange	10.449
Unquoted	42.812
Other Impairment provision(-)	(54.476)
Total	3.065.172

The net book value of unquoted available for sale share certificates is TL 37.927.

5. Explanation 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	-
Corporate shareholders	-	-	44.909	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	151	-	173	-
Total	151	-	45.082	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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	Loans Under Close Monitoring (2)		
		Not Subject to Restructuring	Amendments on Conditions of Contract	
Cash Loans			Loans with Revised Contract Terms	Refinance
Non-specialized loans	24.767.500	1.071.004	130.496	646.259
Working Capital loans	3.434.091	36.626	-	646.259
Export loans	633.826	31.015	28.076	-
Import loans	-	-	-	-
Loans given to financial sector	3.275.035	-	-	-
Consumer loans	151	-	-	-
Credit cards	-	-	-	-
Other	17.424.397	1.003.363	102.420	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	24.767.500	1.071.004	130.496	646.259

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 5.789.044 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

(2) Loans with exposure a cash loan and interest rate risk amounting to USD 81.548.746, provided by a consortium of domestic and foreign banks, given by the Bank to the parent company of a company operating in the telecommunication sector with strategic prescription are classified in watchlist as of the balance sheet date. In the present case, a consensus has been reached for all the consortium banks, including TSKB, to restructure the loans. In this context, the creditors of the Republic of Turkey will be established in direct or indirect shareholders or the acquisition of the shares is planned to be established special purpose in securing the loan of a company by company. It is envisaged that the process will be completed in a positive manner following the concluding of agreements on the loan to be restructured in the new company, the necessary institutional, administrative and all approvals and permits and the necessary conditions under the contracts.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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 (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.

Current Period	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	61.957	-
Significant Increase in Credit Risk	-	237.507

Information of prior period is not given because of transition process.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation on loans (continued)

5.c 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	53.434	130.496
Extended for 3-4 or 5 times	-	-
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	48.415	142.211
Extended for 3-4 or 5 times	-	1.212
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	-	23.668
2-5 Years	53.434	83.796
5 Years and Over	-	23.032

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	-	27.946
2-5 Years	48.415	96.688
5 Years and Over	-	18.789

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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 Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	3	148	151
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	3	148	151
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 Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	3	148	151

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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 Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
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 Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	5	168	173

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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 2017: None).

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	712.677	878.502
Private	25.902.582	21.352.511
Total	26.615.259	22.231.013

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	26.479.438	22.123.201
Foreign loans	135.821	107.812
Total	26.615.259	22.231.013

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	401.325	257.470
Indirect loans granted to subsidiaries and associates	-	-
Total	401.325	257.470

5.i Specific provisions provided against loans or default (Stage 3) provisions:

	Current Period	Prior Period
Loans and receivables with limited collectability	75.349	985
Loans and receivables with doubtful collectability	-	4.894
Uncollectible loans and receivables	48.548	43.643
Total	123.897	49.522

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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 With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Gross amounts before provisions	-	-	7.266
Rescheduled loans	-	-	7.266
Prior Period			
Gross amounts before provisions	-	-	7.266
Rescheduled loans	-	-	7.266

5.j.2 Movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Prior period end balance	985	4.894	43.643
Additions (+)	470.643	-	11
Transfers from other categories of non-performing Loans (+)	-	-	4.894
Transfers to other categories of non-performing loans (-)	-	(4.894)	-
Collections (-)	-	-	-
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	471.628	-	48.548
Provision (-)	(75.349)	-	(48.548)
Net Balances on Balance Sheet	396.279	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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	3.092	-	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	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period			
Period End Balance	471.628	-	-
Provision (-)	(75.349)	-	-
Net Balance on Balance Sheet	396.279	-	-
Prior Period			
Period End Balance	982	-	-
Provision (-)	(982)	-	-
Net Balance on Balance Sheet	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation 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 With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	471.628	-	48.548
Provision Amount (-)	(75.349)	-	(48.548)
Loans to Real Persons and Legal Entities (Net)	396.279	-	-
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	985	4.894	43.643
Provision Amount (-)	(985)	(4.894)	(43.643)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

5.j.5 Information on interest accruals, rediscount, and valuation differences calculated for non-performing loans and their provisions:

	III.Group	IV.Group	V.Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net) (1)	279	-	-
Interest Accruals and Rediscount with Valuation Differences	290	-	-
Provision amount (-)	11	-	-

(1) Information of prior period is not given because of transition process.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation on loans (continued)

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

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

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

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

6. Information on financial assets measured at amortized cost

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

	Current Period	
	TL	FC
Collateralised/Blocked Investments	152.152	20.544
Subject to Repurchase Agreements	3.163	208.976
Total	155.315	229.520

6.1.b Information on repurchase agreement and given collateral/blocked investments held to maturity

	Prior Period	
	TL	FC
Collateralised/Blocked Investments	145.439	45.742
Subject to Repurchase Agreements	455.539	96.539
Total	600.978	142.281

6.2.a Information on government debt measured at amortized cost:

	Current Period
Government Bonds	1.636.067
Treasury Bills	-
Other Government Debt Securities	-
Total	1.636.067

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

6. Information on financial assets measured at amortized cost (continued)

6.3.a Information on financial investments measured at amortized cost :

	Current Period
Debt Securities	
Quoted on a Stock Exchange	1.399.170
Not Quoted	236.897
Impairment provision (-)	-
Total	1.636.067

6.3.b Information on held-to-maturity investments :

	Prior Period
Debt Securities	
Quoted on a Stock Exchange	1.334.722
Not Quoted	199.228
Impairment provision (-)	(1.903)
Total	1.532.047

6.4.a Movement of financial assets at amortized costs within the year :

	Current Period
Balance at Beginning of the Period	1.532.047
Foreign Currency Differences on Monetary Assets	42.176
Purchases During The Period	-
Disposals Through Sales And Redemptions	-
Impairment Provision (-)	-
Interest Income Accruals	61.844
Balance at End of Period	1.636.067

6.4.b Movement of held-to-maturity investments within the year :

	Prior Period
Balance at Beginning of the Period	1.375.729
Foreign Currency Differences on Monetary Assets	13.915
Purchases During The Period	-
Disposals Through Sales And Redemptions	(836)
Impairment Provision (-)	(1.903)
Interest Income Accruals	145.142
Balance at End of Period	1.532.047

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net)

7.a.1 Information on associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	57,38
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	68,85
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	4.122.806	238.930	1.406	226.081	-	52.357	22.181	-
2	İş Finansal	6.095.020	871.259	2.639	216.547	-	33.746	40.392	565.514
3	İş Girişim	258.391	257.012	33	2.973	1.113	78	1.920	21.363
4	Terme (*)	18.206	5.308	1.578	-	-	(160)	(455)	-
5	Ege Tarım	11.875	11.068	8.285	15	-	1.096	(205)	-

(*) Represents for the period ended 31 December 2017 financial statements. Prior year profit/loss is obtained from 31 December 2016 financial statements.

7.a.2 Movements of associates subject to consolidation:

	Current Period	Prior Period
Balance at the Beginning of the Period	343.117	307.030
Movements During the Period	31.922	36.087
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase / decrease (1)	31.922	36.087
Provision for Impairment	-	-
Balance at the End of the Period	375.039	343.117
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) It includes accounting differences with equity method.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on associates (net) (continued)

Information on associates sold in the current period

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

Information on associates purchased in the current period

In current period the Bank has not purchased any associates. The Bank classified security investments of İş Finansal Kiralama A.Ş. (ISFIN) from “financial assets at fair value through other comprehensive income” to “associates” in the prior period.

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	45.609	34.232
Leasing Companies	286.598	266.065
Financial Service Companies		-
Other Financial Associates	42.832	42.820

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

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	329.430	308.885
Associates quoted on foreign stock exchanges	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net)

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

Current Period		
	YF (*)	TSKB GYO (*)
CORE CAPITAL		
Paid-in Capital	63.504	150.000
Share Premium	-	593
Legal Reserves	2.833	8.791
Other Comprehensive Income according to TAS	9.999	-
Current and Prior Years' Profit/Loss	12.140	(34.530)
Leasehold Improvements (-)	428	-
Intangible Assets (-)	825	20
Total Core Capital	89.729	124.873
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	89.729	124.874

(*) The information is obtained from financial statements subject to consolidation as of 30 June 2018.

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	9.759	4
Current and Prior Years' Profit/Loss	8.239	17.094
Leasehold Improvements (-)	40	-
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.

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net) (continued)

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

TSKB Gayrimenkul Değerleme A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and is not consolidated since 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	70,84	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	20.203	16.670	1.174	731	-	2.117	2.081	-
2	YF (*)	779.715	88.476	1.551	27.154	454	5.510	5.220	-
3	TSKB GYO (*)	464.523	124.854	351	357	-	(51.624)	(17.134)	64.820
4	TSKB SD	607	(263)	1	53	-	(1.006)	(546)	-

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

8.b.2 Movement schedule for subsidiaries subject to consolidation:

	Current Period	Prior Period
Balance at the beginning of the period	204.993	203.327
Movements in the period	(31.803)	1.666
Purchases	-	-
Bonus shares obtained	-	-
Current year share of profit	-	-
Sales	-	-
Revaluation increase / decrease (1)	(31.803)	1.666
Provision for impairment	-	-
Balance at the end of the period	173.190	204.993
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) It includes accounting differences with equity method.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

8. Information on subsidiaries (net) (continued)

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

Subsidiaries disposed in the current period

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. The Bank classified security investments of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSGYO) from “financial assets at fair value through other comprehensive income” to “subsidiaries” in the prior period.

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	173.190	204.993

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

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	88.447	125.017
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 2017: 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	19.940	17.339	8.627	7.439
Between 1- 4 years	76.218	66.482	40.269	34.632
More than 4 years	39.203	33.921	25.061	21.339
Total	135.361	117.742	73.957	63.410

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

	Current Period	Prior Period
Gross investments in finance leases	135.361	73.957
Unearned revenue from finance leases (-)	17.619	10.547
Cancelled finance leases (-)	-	-
Net investments in finance leases	117.742	63.410

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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

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

11. Explanation on derivative financial assets held for hedging purposes

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

There is no differences on derivative financial instruments held for hedging purposes (31 December 2017: None).

As of 30 June 2018, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	16.007.200	-	(227.368)	10.582.050	-	(78.682)
FC	16.007.200	-	(227.368)	10.582.050	-	(78.682)
TL	-	-	-	-	-	-

11.a.1 Information on fair value hedge accounting

Current Period		Type of Risk	Fair Value Change of Hedged Item(*)	Fair Value of Hedging Instrument(*)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item			Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	180.517	-	(189.449)	(8.932)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	25.065	-	(26.278)	(1.213)

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

Prior Period				Fair Value of Hedging Instrument(*)		Income Statement Effect (Profit/Loss Through Derivative Financial Instruments)
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item(*)	Assets	Liabilities	
Interest Rate Swap Transactions	Fixed Rate Issued Eurobond and Greenbond	Interest Rate Risk	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.

12. Explanations on tangible assets (net)

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

13. Information on intangible assets

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

14. Information on investment property

The Bank has no investment property (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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	23.188	22.563
Other provisions	68.139	61.600
Employee benefit provision	2.635	2.269
Other	1.342	717
Total Deferred Tax Asset	95.304	87.149
Deferred tax liability:		
Marketable securities	(17.626)	(20.808)
Valuation of derivative instruments	(5.083)	(8.823)
Loan commissions accrual adjustment	(12.707)	(10.869)
Useful life difference of fixed assets	(534)	(535)
Other	(10.287)	(6.748)
Total Deferred Tax Liability	(46.237)	(47.783)
Net Deferred Tax Asset	49.067	39.366

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 2017: 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 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

16. Explanation on assets held for sale

In the current period, the Bank has no assets held for sale (31 December 2017: 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 2017: None).

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

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

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	101.004	27.950	14.804	6.867
Swap Transactions	263.902	98.694	108.906	59.403
Futures Transactions	-	-	-	-
Options	-	71.718	-	42.423
Other	-	-	-	-
Total	364.906	198.362	123.710	108.693

(1) Negative differences from derivative financial liabilities at fair value for hedging purpose is classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Information on 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	-	239.471	-	272.079
From Foreign Banks, Institutions and Funds	121.951	21.979.808	190.972	18.218.677
Total	121.951	22.219.279	190.972	18.490.756

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	106.323	-	134.812
Medium and long-term	121.951	22.112.956	190.972	18.355.944
Total	121.951	22.219.279	190.972	18.490.756

3.c Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	6.139.125	-	3.752.500
Cost	-	6.123.773	-	3.743.915
Book Value	-	6.131.722	-	3.746.229

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%. As of 16 January 2018, the Bank issued the debt instrument which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

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

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

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

There are no other liabilities, which exceed 10% of the balance sheet total (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Informations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Bank has no financial lease payables (31 December 2017: None).

5.b Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings, 1 branch, 13 cars and 345 computers are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2017: 2 head office buildings, 1 branch, 13 cars and 291 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 2017: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (1)	-	227.368	-	78.682
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	227.368	-	78.682

(1) Negative differences from derivative financial liabilities at fair value for hedging purpose is classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

7. Explanations on provisions

7.a Information on general loan loss provisions:

	Prior Period
General Provisions	150.275
Provisions for First Group Loans and Receivables	107.597
Provisions for Second Group Loans and Receivables	9.473
Provisions for Non-Cash Loans	2.447
Other	30.758

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

The Bank has no foreign exchange losses on the foreign currency indexed loans. (31 December 2017: TL 4.724). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

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

As of the reporting date, the Bank's specific provisions provided for unindemnified non cash loans amounts to TL 727 (31 December 2017: TL 583).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information on provisions (continued)

7.d Information on other provisions:

7.d.1 Provision for possible losses:

Free provision amounting to TL 130.000 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 2017: TL 190.000).

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

Other provisions, except to free provisions for possible losses, includes amount to TL 6.900 for personnel dividend provision and amount to TL 7.926 for general provision for non-cash loans. (31 December 2017: TL 90.000 provision for the risks of loan portfolio).

8. Explanations on taxes payable

8.a Explanations on current taxes payable:

8.a.1 Explanations on taxes payable:

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate tax payable	27.190	-	43.662	-
Deferred tax liability	-	-	-	-
Total	27.190	-	43.662	-

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	27.190	43.662
Taxation of securities	905	171
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	9.733	6.106
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	145	399
Other	1.610	1.553
Total	39.583	51.891

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	38	33
Unemployment insurance-Employer	77	66
Other	-	-
Total	115	99

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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 (continued)

8.b Information on deferred taxes liabilities:

As at the reporting date, the Bank has no deferred tax liability (31 December 2017: None).

9. Explanations on liabilities regarding assets held for sale

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

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

Debt Instruments Subject to Common Equity	Current Period		Prior Period	
	TL	FC	TL	FC
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	1.364.250	-	1.146.236
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	1.364.250	-	1.146.236
Total	-	1.364.250	-	1.146.236

11. Explanations on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.800.000	2.400.000
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	2.800.000	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 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA dated 26 April 2018 and was announced in the Turkish Trade Registry Gazette dated 7 June 2018 and No. 9605.

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the Bank will be increased from TL 2.050.000 to TL 2.400.000 by adding TL 350.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2016. Aforementioned increase was approved by the BRSA dated 27 April 2017 and was announced in the Turkish Trade Registry Gazette dated 12 June 2017 and No. 9345.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Explanations on shareholders' equity (continued)

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

None (31 December 2017: None).

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

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

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

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

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

11.g Information on preferred shares:

The Bank has no preferred shares (31 December 2017: None).

11.h Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	17.175	-
Available for Sale Financial Assets	(99.890)	(66.265)
Valuation Differences	(112.247)	(66.265)
Foreign Exchange Difference	12.357	-
Total	(82.715)	(66.265)

	Prior Period	
	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	19.298	-
Available for Sale Financial Assets	(37.338)	12.440
Valuation Differences	(45.185)	12.440
Foreign Exchange Difference	7.847	-
Total	(18.040)	12.440

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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	462.228	99.151
Commitments for Stock Brokerage Purchase and Sales	13.018	158.451
Commitments for Letter of Credit	202.305	197.571
Commitments from Forward Short Term Borrowing and Transfers	90.593	78.890
Capital commitments for subsidiaries and associates (1)	-	93
Other	286.126	225.423
Total	1.054.270	759.579

(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 1.894.149 (31 December 2017: TL 1.098.066).

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 1.613.092 (31 December 2017: TL 1.475.647).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	1.024.212	736.637
With maturity of one year or less than one year	89.661	25.877
With maturity of more than one year	934.551	710.760
Other non-cash loans	2.483.029	1.837.076
Total	3.507.241	2.573.713

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

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

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

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

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

2. Explanation related to derivative financial instruments

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

3. Explanations on loan derivatives and risk exposures

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

4. Explanations on contingent liabilities and assets

There are 35 legal cases against the Bank which are amounting to TL 2.175 as of the reporting date (31 December 2017: TL 2.176 - 34 legal cases).

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

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

A similar case has been submitted to the Constitutional Court 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 recognized 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:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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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 (1)				
Short term loans	164.268	12.578	84.729	4.187
Medium and long term loans	137.941	587.700	97.434	400.684
Interest on non-performing loans (2)	-	13.908	135	48
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	302.209	614.186	182.298	404.919

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

(2) The interest accrual amounting to TL 13.858 of the loan transferred to the Non-Performing Loans as of June 30, 2018 is included in this line

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (1)	4.386	-	2.284	-
Domestic banks	16.525	706	12.209	1.257
Foreign banks	954	46	929	44
Branches and head office abroad	-	-	-	-
Total	21.865	752	15.422	1.301

(1) 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	
	TL	FC
Financial Assets at Fair Value Through Profit and Loss	20	-
Financial Assets at Fair Value Through Other Comprehensive Income	125.411	27.990
Financial Assets Measured at Amortized Cost	81.808	4.444
Total	207.239	32.434

	Prior Period	
	TL	FC
Trading Securities	343	1
Financial Assets at Fair Value Through Profit and Loss	-	-
Available for Sale Financial Assets	86.550	26.446
Investments Held to Maturity	66.365	5.403
Total	153.258	31.850

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. As of 30 June 2018, the subjected securities is evaluated based on estimated annual inflation rate 9,54%.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on interest income (continued)

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	10.604	10.802

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	19.448	32.781	9.825	15.663
The Central Bank of Turkey	-	-	-	-
Domestic banks	12.840	3.235	5.355	1.247
Foreign banks	6.608	29.546	4.470	14.416
Branches and head office abroad	-	-	-	-
Other financial institutions	1.385	178.830	1.385	119.048
Total (1)	20.833	211.611	11.210	134.711

(1) 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 2017: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued (1)	-	211.403	-	116.484

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

3. Information on dividend income

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

4. Information on net trading income (net)

	Current Period	Prior Period
Profit	1.935.893	850.266
Gains on capital market operations	2.688	3.939
Gains on derivative financial instruments (1)	1.459.055	477.361
Foreign exchange gains	474.150	368.966
Losses (-)	(2.002.242)	(874.355)
Losses on capital market operations	(1.355)	(1.587)
Losses on derivative financial instruments (1)	(1.372.017)	(639.161)
Foreign exchange losses	(628.870)	(233.607)

(1) Foreign exchange gain from derivative transactions amounting to TL 828.207 is presented in "Gains on derivative financial instruments" (30 June 2017: TL 175.279), foreign exchange loss from derivative transactions amounting to TL (758.551) is presented in "Losses on derivative financial instruments" (30 June 2017: TL (344.844)).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

5. Explanation related to other operating income

	Current Period	Prior Period
Provisions Released (1)	150.101	199
Gains on Sale of Assets	-	70
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	-	70
From Other Asset Sales	-	-
Other	1.537	1.219
Total	151.638	1.488

(1) Includes TL 150.000 other provision released in the current period

6.a.1 Expected credit loss of the Bank

	Current Period
Expected Credit Loss	238.293
12 Months Expected Credit Loss (Stage 1)	5.314
Significant Increase in Credit Risk (Stage 2)	157.691
Non-performing Loans (Stage 3)	75.288
Marketable Securities Impairment Expenses	3.943
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.943
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-
Associates	-
Subsidiaries	-
Entities under Common Control (Joint Venture)	-
Other	-
Total	242.236

6.a.2 Provision expenses related to loans and other receivables of the Bank

	Prior Period
Specific provisions for loans and other receivables	4.897
III. Group Loans and Receivables	-
IV. Group Loans and Receivables	4.896
V. Group Loans and Receivables	1
General provision expenses	22.762
Provision expenses for possible losses	-
Marketable securities impairment expenses	2.335
Trading securities	-
Investment securities available for sale	2.335
Impairment provisions	-
Associates	-
Subsidiaries	-
Entities under common control (joint vent.)	-
Investment securities held to maturity	-
Other (1)	4.000
Total	33.994

(1) Other provision contains amounting to TL 4.000 allocated for the risks related to the loan portfolio.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses (1) (2)	53.073	40.744
Reserve for employee termination benefits (1)	275	759
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.884	1.639
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	460	277
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	-	10
Depreciation expenses of assets for resale	-	-
Impairment expenses of assets held for sale	-	-
Other operating expenses	14.708	11.777
Rent expenses	6.387	4.898
Maintenance expenses	352	216
Advertisement expenses	611	545
Other expenses	7.358	6.118
Loss on sale of assets	-	-
Other (3)	10.807	12.122
Total	81.207	67.328

(1) Due to personnel expenses and reserve for employee termination benefits shown separately on the financial statement in the current period it is not include in the other operating expenses.

(2) Personnel dividend that is not recognized in the previous periods on the financial statements is recognized through rediscount at 30 June 2018. For the distribution of profit share to the employees in accordance with TAS 19 "Employee Benefits", a provision amounting to TL 6.900 is allocated during the period and classified in personnel expenses.

(3) It contains vacation liability expenses amounting TL 1.386.

8. Information on tax provision for continued and discontinued operations

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

The Bank's current tax charge for the period is TL 63.511 (30 June 2017: TL 86.898). Deferred tax charge is TL 63.958 (30 June 2017: TL 13.836 deferred tax benefit).

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

Deferred tax charge calculated on temporary differences is TL 63.958 (30 June 2017: TL 13.836 deferred tax benefit).

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

There are no deferred tax benefit or charge on temporary differences, losses, tax deductions and exceptions (30 June 2017: None).

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

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

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

9. Explanations on net profit/loss from continued and discontinued operations

The Bank is increased the net profit by 11,46% for the period ended 30 June 2018 compared to prior period.

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 1.234.933 of interest income, TL 559.253 of interest expenses and TL 8.519 of net fee and commission income from banking operations (30 June 2017: TL 825.515 interest income, TL 361.026 interest expense, TL 5.829 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 2017: 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations on the risk group of the Bank

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

1.a Current Period:

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included In the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	257.470	262	-	-	76.931	-
Balance at End of Period	401.325	3.062	-	-	70.996	-
Interest and Commission Income	10.298	306	-	-	3.098	-

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	346.306	7.878	21.131	-	90.035	-
Balance at End of Period	257.470	262	-	-	76.931	-
Interest and Commission Income (1)	10.470	332	251	-	2.839	-

(1) Represents for the period of 30 June 2017.

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	444.536	849.378	-	-	-	-
End of the Period	653.494	444.536	-	-	125.545	-
Total Profit / Loss (1)	(8.608)	8.227	-	-	(2.703)	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(1) Represents for the period of 30 June 2017.

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 8.493 (30 June 2017: TL 8.035).

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to the events after the reporting date

The Bank signed a syndication loan agreement consisting of two separate tranche, amounting to EUR 168.500.000 and USD 25.000.000 with a maturity of 367 days, on July 3, 2018.

SECTION SIX

AUDITORS' LIMITED REVIEW REPORT

I. Explanations on the auditors' limited review report

The unconsolidated financial statements for the period ended 30 June 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's review report dated 27 July 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

Board of Directors

Name and Surname	Position	Term	Independent Member	Committees and Roles
Hakkı Ersin Özince	Chairman	2018-2021	No	-
Mehmet Şencan	Vice Chairman	2018-2021	Yes*	Chair of Audit Committee, Member of Credit Revision Committee
Suat İnce	Board Member and CEO	2018-2021	No	Member of Credit Revision Committee
Yavuz Canevi	Board Member	2018-2021	No	-
Mehmet Emin Özcan	Board Member	2018-2021	No	-
Ebru Özşuca	Board Member	2018-2021	Yes*	Member of Audit Committee, Chair of Corporate Governance Committee, Chair of Remuneration Committee
Mithat Rende	Board Member	2018-2021	Yes	Member of Sustainability Committee
Zeynep Hansu Uçar	Board Member	2018-2021	No	Member of Corporate Governance Committee, Member of Remuneration Committee, Member of Sustainability Committee
Ahmet Hakan Ünal	Board Member	2018-2021	No	Member of Credit Revision Committee
Hüseyin Yalçın	Board Member	2018-2021	No	-
Can Yücel	Board Member	2018-2021	No	Member of Credit Revision Committee, Member of Sustainability Committee

**Considered as an independent member pursuant to the Corporate Governance Communique by the CMB for being a Member of the Audit Committee*

The second quarter of the year saw no changes in the Board or Senior Management.

Information on the Bank's Board Meetings

The Board of Directors issued 24 decisions in the period between January 1, 2018 - June 30, 2018. Board Members attended the meetings at a satisfactory level.

ASSESSMENTS OF THE BOARD CHAIRMAN FOR THE PERIOD

The first six months of 2018 saw key developments in domestic and foreign politics alike including, among others, negative ones such as a significant rise in inflation and interest rates and a remarkable devaluation in the local currency. Despite all, TSKB has retained a carefully-selected funding and loan facility practice and managed to maintain a genuine relationship with both its creditors and loan customers.

In the first six months of 2018, ever improving development projects in Turkey and its vicinity have once again set the basis for our Bank, a leading agency in development banking, to continue improving itself in line with the goals set forth in its business programs.

Sincerely,

Chairman
H. Ersin Özince

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

ASSESSMENTS OF THE BOARD CHAIRMAN FOR THE PERIOD

Having a robust start for the year and growing by 7,4% in the first quarter, the Turkish economy managed to retain a positive outlook in the second quarter despite domestic and global risks. Notwithstanding the positive growth outlook, inflation rate deteriorated and the annual inflation rate rose to 15,39% by the end of June. TL was devalued in the wake of both weakening currencies in developing countries led by the tightening measures introduced by the central banks of developed countries and the uncertainty caused by the election process domestically. USD/TL parity increased by 21% in the first half of the year. Despite increased fluctuations in financial markets, banking sector managed to maintain its strong capital structure and profitability.

In 2018, our Bank has so far delivered operations within a busy working tempo in line with our business plan. Following our successful Eurobond issuance in January and as a result of negotiations for long-term funding, we secured from the World Bank a loan of USD 400 million on a maturity of 29 years under the "Inclusive Access to Finance Project" in the second quarter, with the Undersecretariat of Treasury of the Turkish Prime Ministry standing as the guarantor. The said loan consists of two tranches: the APEX loans we will extend to SMEs through commercial banks and leasing companies as investment and working capital loans and our direct loan facility. This loan aims to make a significant contribution to increasing women's employment, a matter pointed out by the government as a priority in recent years and supported through various practices. Another focus for the loan is to reinvigorate the economy of and increase commercial and industrial operations in regions of priority development. We are sure the loan will be made available soon and yield rapid positive contribution.

In early July, we secured a syndicated loan worth USD 220 million participated by a total of 15 banks from 11 countries. We are truly glad to have obtained a syndicated loan with the participation of the leading prestigious banks from various countries as it had been the case in previous years.

As a bank operating to contribute to the inclusive and sustainable development of Turkey, we continued to extend funding for the sustainable transformation of numerous industries in the first six months. Recently extended loans mainly focused on renewable energy, logistics and women's employment as well as APEX loans and enabled us to improve our loan portfolio by 4% year-to-date to TL 27,1 billion on a fx-adjusted basis. In the same period, our assets rose by 20,7% to TL 35 billion and our shareholders' equity grew by 3% to TL 3,7 billion. As of June 30, 2018, the Bank posted a net income of TL 324,5 million with an annual surge of 11,5%.

Our Banks stand by the investors, supporting them through both funding and consultancy products. In the upcoming period, we will continue to strengthen our funding structure and exponentially increase our support to the country's sustainable development through both the funding we will obtain from development finance institutions under various themes and the bond issuances and other kinds of borrowings we will be involved in on international markets.

Sincerely,

CEO and Board Member
Suat İnce

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD

Economic Developments in the First 6 Months of 2018

In the first quarter of 2018, Turkish economy grew by 7,4% on a year-on-year basis. In the first quarter, household consumption rose by 11%, thus emerging as the driver for growth. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 1,95% in the first quarter of 2018 when compared to the previous quarter. As of the end of March 2018, the size of Turkish economy stood at TL 3,25 trillion (USD 883 billion).

Turkstat data revealed that annual inflation based on consumer prices was 15,39% as of June 2018. Completing 2017 at 11,92%, the inflation rate then surged due to a strong domestic demand, increasing global energy prices, the devaluation in TL and the rising food prices under a seasonal impact.

Turkstat data suggests that industrial production rose heftily in the first five months of the year. The increase rate stood at 9,9% on average for the first quarter of the year but slightly decelerated and decreased to 6,4% in the first two months of the second quarter.

The strong growth in iron and steel, white goods, automotive and chemistry exports and the decrease in gold exports led to an increase of 8% in total exports which stood at USD 69 billion in the first five months of the year. During the period, precious metal imports rose by 32% while energy and iron and steel imports increased by 17% and 43% respectively due to increasing commodity prices, causing the total imports to increase by 17,2% to reach USD 104,5 billion. This led the foreign trade deficit to rise to USD 35,2 billion with an increase of 41,4%. In the first five months, the rate of exports meeting imports stood at 66,3%. Current accounts deficit increased by 59% year-on-year to reach USD 27,7 billion in the first five months of 2018. The annual deficit was USD 47,3 billion in 2017, which constituted 5,6% of the GDP, but increased to USD 57,6 billion by the end of May 2018.

Ministry of Finance data showed that the central administration budget had a TL 46 billion deficit in the first half of 2018 with a year-on-year increase of 82,6%. Primary deficit stood at TL 12,3 billion.

Markets

Global developments include robust growth and changes in monetary policies. In the first half of the year, global economic growth maintained its pace despite political risks, increasing protectionist tendencies in trade and the rising oil prices. This was mainly led by increasing private investments as well as a concordant progress of fiscal loosening and monetary policies in the U.S. However, it is considered that a likely repercussion of normalization steps in monetary policies of developed countries and of the possible end to the rising commodity prices might be an unsustainably strong global growth. In the first half of the year, the Federal Reserve (Fed) hiked the policy rate by 0,25 points twice. The rest of the year is expected to see two further hikes. Thus, despite bearing a weak outlook inherited from 2017, the USD began to rise starting from mid-April. The IIF data suggests that, standing at USD 167,6 billion in the first half of last year, portfolio inflows into developing countries declined year-on-year to USD 59,7 billion in 2018. Production cuts by OPEC and non-OPEC countries, coupled with a strong growth, enabled the oil price to rise to USD 80, the highest of the last three years. Rising oil prices led to increased concerns on global inflation and, thus, a further increase in bond yields. Consequently, stock markets recorded a mixed outlook pattern. In the first half, the Emerging Markets Index (MSCI EM) and the European stock index (Stoxx600) fell by 9,3% and 2,3% respectively while the U.S. stock index (S&P500) rose by 1,7%. The U.S. 10-year interest rate started the period at 2,43% to go beyond 3% before going down to 2,85% by the end of the period.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD

Markets (continued)

Domestically, markets had a positive start for the year thanks to the improving relations with the U.S. and Germany and the strong growth indicators, but fluctuated during the period due to international trade wars, the tightening measures by the Fed, the unexpected downgrade by Moody's and the beginning of the election process. The Central Bank made a simplification step in the monetary policy in order to curb inflation and reduce volatility in FX rates and increased the weekly repo rate to 17,75%, shifting the funding facility to weekly repo from the late liquidity window. Thus, the weighted average funding rate for the period increased from 12,75% to 17,75%. The USD/TL rate started the period at 3,7719 and completed it at 4,5607 with an increase of 20,9%. The two-year benchmark bond interest started the first half at 13,40% and finished it at 19,27%. BIST-100 completed the first half at 96.520 with a decline of 16,3%.

Banking Sector

In the first half of 2018, total loans grew by 5,5% on a fx-adjusted basis while TL loans rose by 8,2%. Year-to-date TL loan growth was about 8 basis points slower than the first half of 2017 when the impact of the Credit Guarantee Fund (CGF) was felt while the year-to-date FX loan growth was around 0,7% in the first half of 2018 despite a reduction in the same period of the previous year. Annual growth in total loans fell from 15,5% at 2017 year-end to 11,75% as of the end of June. This slowdown is mainly due to the recession in TL loan growth rate from 26,2% to 17,2%. A breakdown of the loan growth in the first six months of 2018 for loan types shows that the growth was mainly driven by TL other corporate loans with a growth of 18,6%, followed by consumer loans with 5,6% and personal credit card debts with 5,4%.

In the first half of the year, TL deposits grew by 6,4%, fx-adjusted FX deposits receded in a limited manner and total deposits rose by a net 3,4%. The growth in TL deposits in the first half was brought along by the 7,1% expansion in savings deposit. The fall in FX deposits originally stemmed from the 1,2% contraction in FX savings and the 2,1% decline in FX commercial deposits. Other FX deposits and FX participation funds gained ground in the same period.

In the first half of 2018, the loan-to-deposit ratio in the sector fluctuated within the range of 148%-153% on the TL side and completed the period at 152,9%. The total loan-to-deposit ratio fell as low as 118,8% in the first half but closed the period at 121,5%.

Change YTD	TL Terms	Adjusted for currency impact
Loans	12,5%	5,5%
Deposits	12,3%	3,4%

Source: BRSA Weekly Bulletin, June 29, 2018

GENERAL ASSEMBLY RESOLUTIONS

The Bank's annual Ordinary General Assembly meeting was held at the Head Office on March 23, 2018. General Assembly resolutions were shared with shareholders via the Interim Report for the Period of January 1 - March 31, 2018, the Bank's web site and the Public Disclosure Platform.

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

The agreement for the loan, TSKB secured from the World Bank (IBRD) worth USD 400 million under the "Inclusive Access to Finance Project", with the Undersecretariat of Treasury of the Turkish Prime Ministry standing as the guarantor, was signed on June 7, 2018. The first of the two primary themes to be supported via this loan is the funding facility for private sector companies promoting women's participation in labor force and offering a suitable working environment to enable this. The second theme, on the other hand, aims to support private sector companies operating in priority development regions in our country. This loan is expected to support the country's economy in terms of employment by backing the investments by private sector, mainly by SMEs, falling under the said themes and by meeting the need for working capital. Commercial banks will mediate the delivery of a certain portion of the loan to firms in need.

During the period, the Bank presented its stakeholders with its second Integrated Report, a pioneering sustainability practice by TSKB the first of which had been published last year. The Integrated Report shared detailed information on TSKB's 2017 performance in addition to its model, strategy and goals for job and value creation. Prioritization analysis and the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) are taken as basis, as it was the case last year, while drawing up the TSKB Integrated Report. The value created by TSKB is analyzed under six capital categories, namely financial, human, natural, intellectual, manufactured and social capitals, reflecting on how priority matters are transposed to the business model, performance and goals. Audit services were outsourced for the report, which included the assessment of the Advisory Board comprised of experienced and esteemed members of the academia.

Following authorization at the end of the period, the Bank signed a syndicated loan agreement consisting of two separate tranches, EUR 168.500.000 and USD 25.000.000 in total respectively, on a maturity of 367 days as participated by a total of 15 international banks under the coordination of Commerzbank Aktiengesellschaft and Filiale Luxemburg. The cost of the loan was Euribor/Libor + 1,45%.

Developments Regarding the Bank's Corporate Governance Operations

During the Ordinary General Assembly Meeting of the Bank, it is resolved in relation to cash dividends that a gross TL 96.000.000, which corresponds to 4% of the paid-in capital, out of TL 496.000.000, the total of primary and secondary dividends, be distributed to shareholders in cash, and TL 400.000.000, which corresponds to 16,67% thereof, be given as bonus share to be used in increasing the capital of the Bank to TL 2.800.000.000 from TL 2.400.000.000, and the distribution of the bonus share dividends start following the CMB approval for the issuance certificate regarding the said shares. On March 26, 2018, dividends were distributed first to shareholders and then to Board Members and employees. A capital increase through bonus issues took place on June 4, 2018 following the approvals granted by regulatory authorities.

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD

The summary for the Bank's main financial indicators as of June 30, 2018 is provided below:

The total assets grew by 35% on a year-on-year basis and by 20,7% compared to 2017 year-end to reach TL 35 billion.

As of the end of June, the total loan portfolio stood at TL 27,1 billion, marking an increase of 38,5% on a year-on-year basis and 21,7% on a year-to-date basis. The ratio of non-performing loans to total loans stood at 1,9% as of the end of June.

Shareholders' equity rose by 12,3% on an annual basis and by 3% compared to 2017 year-end to reach TL 3,7 billion. Standing at 17,1% as of 2017 year-end, the capital adequacy ratio decreased to 15,2% as of the end of June 2018.

In the first half of the year, net income rose by 11,5% year-on-year to reach TL 324,5 million.

Return on equity was 18,2% as of 2017 year end. The Bank delivered a return on equity of 17,7% in the first six months of 2018.

Return on assets was 2,2% as of 2017 year end. The Bank delivered a return on assets on 2% in the first six months of 2018.

In the first six months of 2018, total adjusted gross operating income increased by 39% on an annual basis to reach TL 621 million while other operating expenses rose by 21% to TL 81 million. Cost-to-income ratio which was 14,9% in June 2017 fell down to 12,5% as 2017 year-end and slightly picked up to 13,1% as of June 2018.

Forward-Looking Expectations

In July 2018, the Bank updated its forward looking expectations for 2018 year end. Previously announced as 4,1%, the GDP growth expectation for 2018 is revised up to 5%. In July, the Bank also lifted its inflation assumption for October 2017 - October 2018 period to 14% from 9,5%, whereas the Bank's whole year inflation expectation climbed up to 13% from 9%-9,5%.

TSKB also updated its annual loan growth guidance as 10%-12% on an fx-adjusted basis. In the first six months, TSKB attained a loan growth of about 4% on an fx-adjusted basis and the Bank's recently extended loans mainly focused on logistics, power generation and women's employment projects as well as APEX loans.

Delivering a successful performance in the first six months, the Bank is expected to maintain strong profitability in the second half, as well. The Bank estimates a net interest margin around 4% and a return on equity ratio of about 18% by year end taking the impact of CPI linked securities into account. The estimated return on assets ratio for the end of 2018 is around 2%.

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SECTION SEVEN (Continued)

INFORMATION ON INTERIM ACTIVITY REPORT (Continued)

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

Forward-Looking Expectations by TSKB

	2018 End-of- Year Projection (previous)	June 30, 2018 Actual	2018 End-of- Year Projection (revised)
Macroeconomic Expectations (%)			
GDP Growth	4,1		5,0
Inflation	9,0-9,5		13,0
Financial Expectations (Unconsolidated) (%)			
FX-Adjusted Loan Growth	12-15	9 (annual)	10-12
Loan-to-Asset Ratio	~77	77	~77
Increase in Net Interest Income	~15	33	~30
Increase in Net Fees&Commissions	>20	46	>20
Increase in Operating Expenses	~30	21	~25
Net Interest Margin (adj.)*	3,6-3,8	3,9	4,0
Return On Equity Ratio	~18	17,7	~18
Return On Assets Ratio	~2,2	2,0	~2,0
Cost-to-Income Ratio	14-15	13,1	13-14
Capital Adequacy Ratio	>16	15,2	>15
Ratio of Non-Performing Loans	<0,5	1,9	<2,0
Leverage Ratio	~8,5x	9,4x	~9,0x

*Swap adjusted

RISK MANAGEMENT

TSKB's Risk Management Policies and the codes of practice pertaining to such policies are comprised of written standards set by the Board of Directors and applied by the Bank's senior management.

Under TSKB's Risk Management Policies, the main risks the Bank is exposed to are identified as credit risks, asset-liability management risks (market risk, structural interest rate risk, liquidity risk) and operational risks. A Risk Management Department is established within the Bank to ensure compliance with the said risk policies and the codes of practice pertaining thereto and manage the risks the Bank is exposed to in parallel with these policies.

TSKB's Risk Management Department is actively involved in all processes regarding the management of risks and regularly reports to the Board of Directors, the Audit Committee, the senior management and the relevant departments within the Bank. The roles, responsibilities and structure of the Department are set in the Regulation on Risk Management Department.

FURTHER INFORMATION

Developments making a significant impact on the Bank's operations during the period are explained above. For further information, please refer to the 2017 Annual Report at the following link:

<http://www.tskb.com.tr/tr/yatirimci-iliskileri/finansal-raporlar>